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## Code Administrator Consultation Response Proforma

### CMP444: Introducing a cap and floor to wider generation TNUoS charges

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to [cust.team@nationalenergyso.com](mailto:cust.team@nationalenergyso.com) by **5pm** on **14 March 2025**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact [cust.team@nationalenergyso.com](mailto:cust.team@nationalenergyso.com)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Nina Brundage	
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<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

### I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration)

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### For reference the Applicable CUSC (charging) Objectives are:

- a) *That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;*
- b) *That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C11 requirements of a connect and manage connection);*
- c) *That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business\*;*
- d) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*\*; and*
- e) *Promoting efficiency in the implementation and administration of the system charging methodology.*

\* See Electricity System Operator Licence

\*\*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

**Please express your views in the right-hand side of the table below, including your rationale.**

Standard Code Administrator Consultation questions		
1	Please provide your assessment for the proposed solutions against the Applicable Objectives?	Mark the Objectives which you believe the proposed solutions better facilitates:
		Original <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM1 <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM2 <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM3 <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM4 <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM5 <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E

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		WACM6	<input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		WACM7	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p><b>Objective A:</b> Current TNUoS levels, combined with and the risk of volatile charges, negatively impact competition because generators located in high and low charging zones face significantly greater cost exposure than those in middle TNUoS zones. This represents a barrier to market entry for projects in certain geographies and passes increased risks and costs through to consumers via the CfD. The Original and WACMs 1,2,3,4 and 6 all provide a material improvement to this risk and cost to consumers against the baseline of inaction.</p> <p><b>Objective B:</b> TNUoS currently lacks cost reflectivity for existing operational generation projects as they are, in effect, unfairly burdened with paying for new network that is required to connect future generation – without being able to reliably predict or abate these costs. An effective cap and floor improve cost reflectivity by preventing extreme volatility that distorts market signals and discourages critical investment. This will also ensure that TNUoS charges stay aligned with the long-term network costs rather than fluctuating unpredictably year-to-year. The Original and WACMs 1,2,3 and 6 imposes a cap and floor that mitigates these impacts to varying degrees, improving cost reflectivity against a baseline of inaction.</p> <p><b>Objectives C &amp; D:</b> All proposed solutions are neutral across these objectives</p> <p><b>Objective E:</b> Against all other solutions, WACMs 4 and 5 are more complicated and would add complexity to the charging methodology. As such, they do not better facilitate these objectives and have a negative impact on administrative efficiency.</p>	
2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input checked="" type="checkbox"/> WACM1 <input type="checkbox"/> WACM2	

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	<div data-bbox="651 392 893 824"> <input type="checkbox"/> WACM3  <input type="checkbox"/> WACM4  <input type="checkbox"/> WACM5  <input type="checkbox"/> WACM6  <input type="checkbox"/> WACM7  <input type="checkbox"/> Baseline  <input type="checkbox"/> No preference         </div> <div data-bbox="651 853 1417 2007"> <p>We strongly support <b>WACM1 as our preferred solution</b>. As outlined in Question 1, the current TNUoS methodology negatively impacts competition, uplifts CfD clearing prices at the expense of electricity customers and is fundamentally non-cost reflective for existing generation. As such, for the solution to have the greatest positive impact on these CUSC objectives, the proposal with the strongest cap and floor must be selected—WACM1.</p> <p>WACM1 most effectively improves cost reflectivity by ensuring that TNUoS charges remain more proportional to actual system costs by preventing extreme volatility that distorts market signals and discourages necessary investment. This would keep costs within a stable range, ensuring TNUoS charges stay aligned with the grid's long-term costs rather than fluctuating unpredictably from year to year. WACM1 achieves these objectives most completely and offers an administratively simple approach to applying cap and floor levels.</p> <p>WACM1 best addresses the defect this Modification seeks to solve (discussed in Question 3). In addition, it will support Government's objectives of delivering Clean Power by 2030 at the lowest cost to consumers, and it will provide greater societal benefits in justly transitioning GB's and Scotland's, energy economy.</p> </div>
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		<p>While the CUSC Workgroup was limited to assessing the merits of these solutions against the defined defect and CUSC objectives, we urge Ofgem to also consider the wider societal benefits of the different cap and floor levels. Specifically, looking at the potential for a just transition for the north of Scotland and the opportunity that steady delivery of ScotWind projects presents for the region, which currently has significant dependence on a declining oil and gas industry for its industrial base.</p> <p>It is also of note that WACM1 received the most votes by the Workgroup as the <b>best solution</b> – receiving 9 votes. By comparison, WACM7 received 4 votes, the baseline received 3 votes, WACM5 received 2 votes, and 1 vote for WACM3. WACM1 was also very well supported in Workgroup Consultation responses (when it was Alternative Proposal 1).</p> <p>Conversely, the cap and floor levels set out in WACMs 5 and 7 would have the opposite effect of WACM1 by allowing the TNUoS extremes predicted in the early 2030s to materialise. Thus, WACMs 5 and 7 do not address this defined defect and would allow TNUoS volatility to continue to erode value from existing assets, continue to hike up CfD clearing prices at the expense of electricity customers, and deter future investment in Scotland that is critical for GB-wide energy security. This would harm CUSC objectives A and B, and as such, <b>we strongly oppose WACMs 5 and 7, both of which will maintain a significant barrier to the successful delivery of CP2030 and continued investment in Scotland.</b></p>
3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No

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		<p>As outlined on page 3 of the Workgroup report, this Modification seeks to mitigate, “the uncertainty of long term TNUoS (Transmission Network Use of System) Generator charges, and the risks posed by TNUoS unpredictability caused by the NESO’s 10-year generation TNUoS projection.” This was flagged as a threat to clean power 2030 targets, a driver to consumer costs via CfD clearing dynamics, and as a source of significant investment uncertainty.</p> <p>To fully grasp the investor uncertainty and risk facing future project developments, Ofgem must seek to understand how the current TNUoS regime has stripped value from existing assets that took investment decisions before the current view of network buildout was foreseeable. Should the cap and floor be set at a level that fails to prevent further unfettered value erosion from existing assets, the issue this Modification seeks to address will not be adequately resolved. Investors that have been burned by TNUoS in the past will not come running back to this market when projects in other global geographies offer less risk of locational signals shifting and value erosion after investment decisions are taken. This is a serious liability for the GB market, and Ofgem underestimating this reality will be to the detriment of the British energy sector and ultimately consumers.</p> <p>However, this cap and floor approach – which was specifically highlighted by <a href="#">Government’s Clean Power by 2030 Action Plan</a> as the mechanism that will “alleviate these concerns” (pg. 90) – has the potential to meaningfully signal to investors that good-value/predictable return, clean energy projects in the GB market are still a sound destination for their investment in an increasingly competitive global market. This Modification represents a valuable opportunity to shift market signals to better align with Government’s strategic energy objectives,</p>
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		and the Workgroup has produced a strong solution to deliver the desired outcomes—WACM1.
4	Do you have any other comments?	While this modification was developed to meet the objectives outlined in the Ofgem September 2024 open letter, developments in the policy and regulatory landscape have continued to evolve – namely the publication of the Clean Power by 2030 Action Plan and the urgent development of CMP432: Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs. The interaction that CMP444 has with these policies, as well as its interactions with the ongoing Review of Electricity Market Arrangements (REMA), are significant and must be fully understood and assessed when coming to a final determination. A long-term view of market arrangements is critical for renewable energy projects—and especially for offshore wind due to the long development timescales, high CAPEX costs, and long operational lifespans. The near-term and long-term impacts of these changes will shape how the GB energy market continues to evolve, and these decisions must be made with an eye towards creating system stability, efficiency, and coordination with non-market objectives.
5	Do you agree with the Workgroup’s assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.
		Click or tap here to enter text.