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Code Administrator Consultation Response Proforma

CMP344: Clarification of Transmission Licensee revenue recovery and the treatment of revenue adjustments in the Charging Methodology

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 cusc.team@nationalenergyiso.com by **5pm** on **02 June 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 jessica.rivalland@nationalenergyiso.com or cusc.team@nationalenergyiso.com

Respondent details	Please enter your details	
Respondent name:	Tom Steward	
Company name:	RWE	
Email address:	Tom.Steward@RWE.com	
Phone number:	07785 663264	
Which best describes your organisation?	<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

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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)

For reference the Applicable CUSC (charging) Objectives are:

- d) 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;
- e) 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);
- f) 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*;
- g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and
- h) Promoting efficiency in the implementation and administration of the system charging methodology.

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective g) 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

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has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

For reference, (for consultation question 5) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- a) fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

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What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

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 solution against the Applicable Objectives against the current baseline?	Mark the Objectives which you believe the proposed solution better facilitates than the current baseline:
		<div>Original</div> <div> <input checked="" type="checkbox"/>d <input checked="" type="checkbox"/>e <input type="checkbox"/>f <input type="checkbox"/>g <input checked="" type="checkbox"/>h <input type="checkbox"/>None </div>
		<p>D – Better – This allows offshore generators to compete on a level playing-field with other forms of generation that do not face the risk of IAEs being included in local tariffs. Also allows offshore generators to more closely compete with each other on the basis of underlying project costs, rather than differences in expectation of risk of IAEs occurring.</p> <p>E – Better – IAEs do not constitute a signal that developers are able to respond to – there is no</p>

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		<p>evidence that an offshore generator is able to take any action to avoid the occurrence of IAEs. Some have argued that the risk of IAEs gives developers an incentive to ensure a high standard of cable construction. However, under a generator-build approach to offshore transmission construction, a developer already has a very strong incentive to ensure a cable is constructed to an exceptionally high standard. Any cable failures (whether granted an IAE or not) result in the generator being either entirely, or partially, unable to export power – thereby losing significant revenues. Under a pure OFTO-build model, a generator is not involved in the cable development process, and therefore has no influence over the standard of cable construction. The BSUoS taskforce showed that a signal which cannot be responded to becomes a pass-through risk, and is therefore most efficiently placed directly onto demand.</p> <p>Alternatively, if an IAE may be deemed not to be sending a signal at all then it becomes merely a tool for revenue recovery. This was demonstrated by the TCR and subsequent code modifications to be most efficiently placed directly onto demand users in a way that cannot be easily avoided.</p> <p>F – Neutral</p> <p>G – Neutral</p> <p>H – Better – CMP344 brings clarity to something which is not currently addressed in the CUSC, thereby reducing the risk of lengthy and costly</p>
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		disputes between users and transmission licensees that could arise as a result of the arrangements. CMP344 also reduces the complexity of administration of TNUoS charges – requiring a single-stage recovery from demand users, rather than the current two-stage recovery first from demand users, and then offshore generators in the following price control period.
2	Do you have a preferred proposed solution?	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Baseline <input type="checkbox"/> No preference Click or tap here to enter text.
3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
4	Do you have any other comments?	We welcome OFGEM's commitment in the second send-back letter to make a swift decision. We would urge the regulator to reach a decision before AR7 to allow the appropriate level of risk premia be reflected in CfD bids.
5	Do you agree with the Workgroup's assessment that the modification	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	Click or tap here to enter text.
		Click or tap here to enter text.