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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@nationalenergyso.com](mailto:cusc.team@nationalenergyso.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@nationalenergyso.com](mailto:jessica.rivalland@nationalenergyso.com) or [cusc.team@nationalenergyso.com](mailto:cusc.team@nationalenergyso.com)

Respondent details	Please enter your details	
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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 type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input checked="" 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:

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

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**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.*

### 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

Public

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:
		Original <input type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input checked="" type="checkbox"/> None
		<p>We do not comment on whether the issue is a valid one, and whether there is a valid defect. Our comments are limited to whether the proposed solution is a valid and appropriate remedy for the stated defect.</p> <p>At this stage, we do not believe that the proposed solution is better than the baseline because it is not sufficiently targeted. Furthermore, it has not been explained why the proposed solution has not been sufficiently targeted to ensure that only the 'affected' Offshore Generators are in scope.</p> <p>In the consultation, an issue is stated as "...This is also a sub-optimal approach, economically speaking as Offshore Generators must include the risk of IAEs in Contracts for Difference (CfD) bids, meaning consumers face the cost of an IAE irrespective of if one actually comes about."</p>

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		<p>The above extract implies that the issue be addressed by targeting the solution at the subset of Offshore Generators that could be affected: those which are yet to submit bids into future Allocation Rounds. Offshore Generators that do not hold CfDs or Offshore Generators that already hold CfDs do not face the same bidding consideration.</p> <p>The legal text does not distinguish between Offshore Generators that may bid for CfDs in future Allocation Rounds or Offshore Generators that already hold CfDs. The legal text also does not distinguish between Offshore Generators that may bid for CfDs in future Allocation Rounds and between existing or Offshore Generators that do not or will not hold CfDs.</p> <p>The scope of the solution extends beyond insulating only those Offshore Generators that will bid for CfDs in future Allocation Rounds. We are unaware of the reason(s) why the solution cannot be targeted at Offshore Generators that will bid for CfDs in future Allocation Rounds being explained in the consultation. The reason(s) become even more important given the risk of windfall gains to Offshore Generators that already hold CfDs, and to Offshore Generators that do not or will not hold CfDs. If we assume it is true that Offshore Generators that already hold CfDs priced this risk into their bids,</p>
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		<p>implementing the proposed solution would theoretically result in those generators being compensated twice.</p> <p>It is for these reasons that we do not believe that the proposed solution is better than the baseline.</p>
2	Do you have a preferred proposed solution?	<p><input type="checkbox"/>Original</p> <p><input checked="" type="checkbox"/>Baseline</p> <p><input type="checkbox"/>No preference</p> <p>Click or tap here to enter text.</p>
3	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes</p> <p><input checked="" type="checkbox"/>No</p> <p>Click or tap here to enter text.</p>
4	Do you have any other comments?	<p>The Proposer seeks to codify how revenue adjustments related to IAEs should be treated. However, the proposed solution does not codify how those revenue adjustments are currently treated. Rather, the proposed solution would codify recovering the relevant IAE costs from an entirely different set of Network Users.</p> <p>We believe the solution represents a material change in this aspect of transmission network charging policy. The proposed solution seeks to increase the types of costs that are recovered via the Transmission Demand Residual. We question whether a modification to the CUSC is</p>

## Public

		<p>the appropriate route through which this proposed policy change should be assessed.</p> <p>We continue to recommend that perceived issues that arise because of the design of the CfD regime are addressed through that regime rather than seeking to address those issues via network charging policy.</p>
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?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Click or tap here to enter text.</p> <p>Click or tap here to enter text.</p>