

# **CMP423 Generation Weighted Reference Node**

Workgroup 7 (10 July 2025 9.00AM)

Online Meeting via Teams

# Agenda

#	Topics to be discussed	Lead
1.	Welcome and Expectations	Chair
2.	Objectives and Timeline Review	Chair
3.	Review Workgroup Consultation Responses	All
4.	Legal Text Discussion	All
5.	Review Terms of Reference	All
6.	Actions update	Chair
7.	Any Other Business	Chair
8.	Next Steps	Chair

# WELCOME

## Expectations of a Workgroup Member

Contribute to the discussion

Be respectful of each other's opinions

Language and Conduct to be consistent with the values of equality and diversity

Do not share commercially sensitive information

Be prepared – Review Papers and Reports ahead of meetings

Complete actions in a timely manner

Keep to agreed scope

Email communications to/cc'ing the .box email

## Your Roles

Help refine/develop the solution(s)

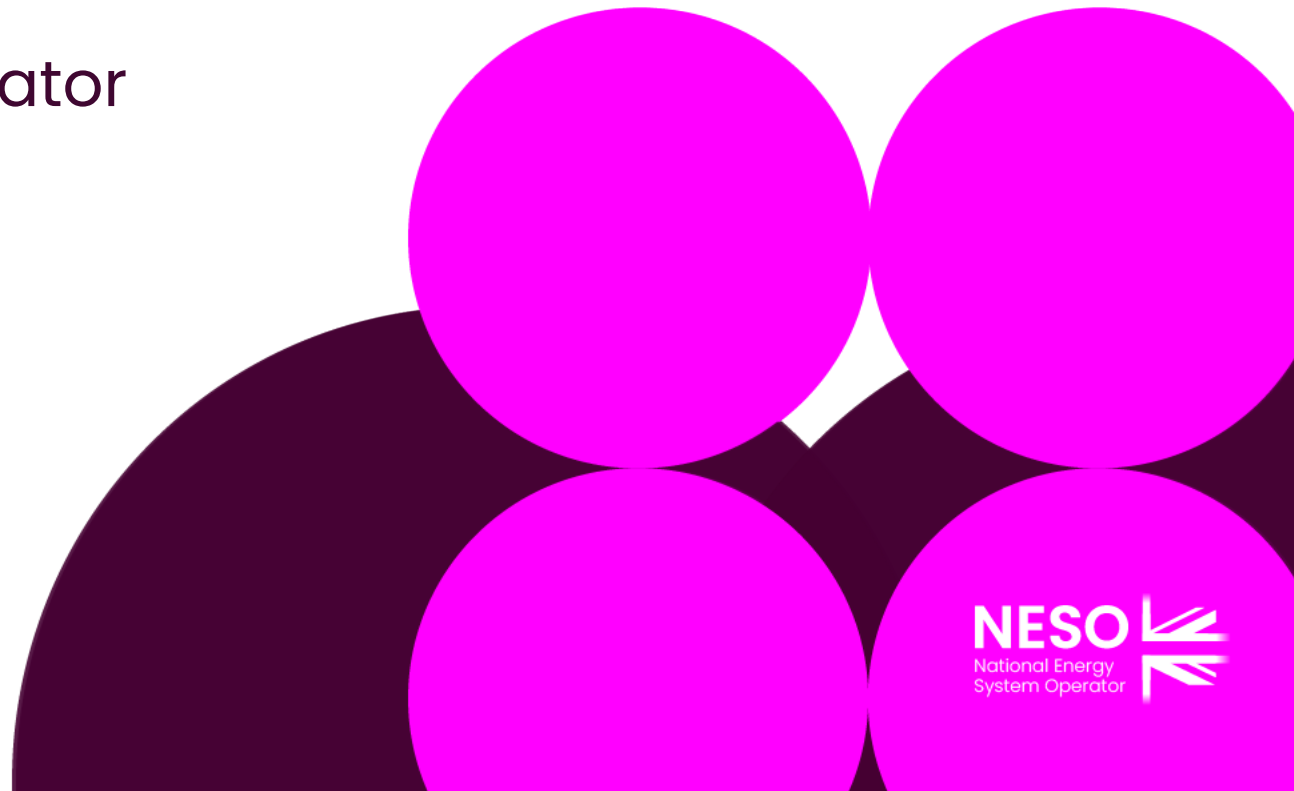
Bring forward alternatives as early as possible

Vote on whether or not to proceed with requests for Alternatives

Vote on whether the solution(s) better facilitate the Code Objectives

# Objectives and Timeline

Claire Goult – NESO Code Administrator





# Timeline

## Objectives

Review Workgroup  
Consultation Responses

Legal Text Discussion

Review Terms of  
Reference

Workgroups	
CMP423 Workgroup 1	22 January 2024
CMP423 Workgroup 2	17 April 2024
CMP423 Workgroup 3	17 December 2024
CMP423 Workgroup 4	25 March 2025
CMP423 Workgroup 5	01 May 2025
CMP423 Workgroup 6	22 May 2025 PM
CMP423 Workgroup Consultation	29 May 2025 – 20 June 2025 (15BD)
CMP423 Workgroup 7	10 July 2025
CMP423 Workgroup 8	<del>06 August 2025</del> 14 August
CMP423 Workgroup 9	03 September 2025
CMP423 Workgroup Report to Panel	18 September 2025
Post Workgroups	
CMP423 Code Administrator Consultation	09 October 2025 – 31 October 2025
CMP423 Draft Final Modification Report to Panel	20 November 2025
CMP423 Final Modification to Ofgem	09 December 2025
CMP423 Implementation Date	01 April 2027

# Review Workgroup Consultation Responses

# Consultation by Numbers

How many responded?  
Who responded?

Workgroup Consultation between 29 May 2025 to 20 June 2025 and received **14** non-confidential and **0** confidential responses.

Industry Party	Number of respondents*
Generator	11
Storage	1
Supplier	2
System Operator	1
Other	1

**\* Note some respondents represent more than one industry party.**



# Breakdown by Objective

How did industry feel about CMP423 against each Applicable CUSC Objective?

Number of Respondents who believed that the Original Proposal better facilitated the Applicable CUSC Objectives versus the current Baseline.

Objective	Number of respondents
d	12
e	12
f	9
g	1
h	2
None	2

## Breakdown by Objective

How did industry feel about CMP423 against each Applicable CUSC Objective d ?

### Positive

**Objective 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;***

- Enhances competition by aligning GB generators' network charges more closely with international standards, reducing competitive disadvantages.
- Reduces the differential in tariffs between North and South GB, promoting fairer competition among generators in different regions.
- Adjusts the tariff gradient, enabling a more balanced allocation of risk between northern and southern generators.
- Enhanced Demand Signals: The modification reinstates locational price signals for demand, fostering better competition between demand customers and grid-connected generation.

## Breakdown by Objective

How did industry feel about CMP423 against Applicable CUSC Objective e ?

### Positive

**Objective 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*);**

- Switching to a generation-weighted reference node improves cost reflectivity by accurately representing the incremental transmission system costs or benefits driven by a user's decisions.
- The proposed approach addresses distortions in locational demand signals, ensuring they better reflect the underlying system costs.
- The generation-weighted reference node more accurately reflects the system's response to changes in generation and demand, correcting the current methodology's assumptions.

## Breakdown by Objective

How did industry feel about CMP423 against Applicable CUSC Objective f ?

### Positive

**Objective 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\*;***

- A generation weighted reference node better models the transition to a low carbon GB transmission system.
- Ensures that the charging methodology more accurately reflects the realities of additional demand and generation on the network on the reinforcements this drives, and, therefore, the costs incurred by transmission licensees.
- The growing gap between generation and demand locations means using an unsuitable reference node is increasingly problematic and likely to worsen. Addressing this defect promptly is crucial.

## Breakdown by Objective

How did industry feel about CMP423 against Applicable CUSC Objective g ?

## Positive

**Objective g - *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency***

- One respondent felt better compliance with Electricity Regulation 838/2010 will be achieved, particularly in limiting generator transmission charges to within €0 to €2.50. This modification will reduce the need for additional corrections to maintain compliance.

## Breakdown by Objective

How did industry feel about CMP423 against Applicable CUSC Objective h ?

### Positive

**Objective h – *Promoting efficiency in the implementation and administration of the system charging methodology.***

- Two respondents felt the proposal results in lower levels of tariff adjustment which would increase the efficiency of the implementation and administration of the system charging methodology.



## Breakdown by Objective

How did industry feel about CMP423 against each Applicable CUSC Objective?

### Negative

- Two respondents stated that the proposal did not better facilitate any of the Applicable CUSC Objectives.
- One of these respondents commented that they did not believe that moving to a generation-weighted reference node would increase the cost-reflectivity of transmission charges. The respondent felt that with electricity demand expected to rise significantly due to the transition to net zero, new generation capacity will be needed and the assumption that new generation will displace existing generation with static demand is not appropriate for the future.

# Implementation Support

How did industry feel about the proposed implementation approach of CMP423?

Yes	12
No	2

Respondents supportive of the implementation approach gave the following reasons:

- Allows time to make the necessary changes to Section 14 of the CUSC
- Gives parties time to account for the resulting tariff impacts.
- Beneficial for bidders in the AR7 CfD auction to provide better certainty of their TNUoS charges before they reach final investment decision.

No comments were made by respondents not supportive of the proposed implementation.

## Standard Questions

Do you wish to raise a Workgroup Alternative Request?

Do you agree that the modification does not impact the Electricity Balancing Regulation (EBR)?

**Do you wish to raise a Workgroup Alternative Request?**

Yes	0
No	14

**Do you agree that the modification does not impact the Electricity Balancing Regulation?**

Yes	11
No	0
No Response	3

## Other comments

How did industry  
feel about  
CMP423?

Seven respondents provided further comments:

- Implementing CMP423 independently of CMP444 will result in fairer cost distribution among network users and significant savings for consumers without distorting the cost reflectivity of charges.
- The Demand Weighted Reference Node is causing distortions that will worsen with future transmission system reinforcements, requiring immediate correction.
- Long-term TNUoS reform and strategic reviews like REMA are necessary to address broader challenges, aiming for higher locational cost reflectivity and reliable predictability.
- Ofgem should decide on CMP423 before investors in CfD AR7 make final decisions and before CMP442 fixed charges are introduced, as CMP423 alone may not sufficiently reduce charges to attract new investment in northern zones.

## Locational Demand charges

Is it beneficial that the modification would largely reinstate the gradient of locational Demand charges?

Ten respondents in agreement gave the following reasons:

- It will strengthen the locational signal for Demand charges to promote better competition and fairness.
- Make customer charges more affordable
- Compliments CMP440 and aligns with the broader direction of wider charging policy

However, one of these respondents felt this could be better achieved by CMP440 which aims to re-introduce Demand TNUoS locational signals by removal of the zero price floor.

The one respondent who disagreed felt that the aim of this modification was not intended to address the gradient of locational Demand charges and that it had not been demonstrated that changing the reference node is the most appropriate solution to the zero-price floor issue.

## Revenue collection

Any comments on the change in revenue collection proportions between generation and Demand?

Eight respondents commented on the change of revenue collection:

- Proposal aims to deliver a more cost-reflective tariff model, potentially saving customers £107m in CfD payments.
- Moving more TNUoS revenue collection to demand users is seen as more efficient and consistent with Ofgem's Targeted Charging Review principles.
- Reducing transmission charges for generators aligns with the UK Government's pro-growth strategy and enhances international competitiveness.
- The proposal supports regulatory improvements that promote investment and economic growth in the GB power generation sector.
- There is concern that shifting revenue recovery to demand users could increase costs for consumers and risk supplier insolvency.



## Interaction with other modifications

Any comments on the interactions with other modifications, including CMP432, CMP440, CMP442 and CMP444?

All respondents noted interactions with other modifications:

- CMP423, CMP432, and CMP444 all aim to correct flaws in the current methodology and can be independently approved and implemented without affecting each other's validity.
- Concluding CMP423, CMP432, CMP440, and CMP442 before implementing CMP444 and sharing updated projections to 2035 will ensure informed decision-making and benefit the industry.
- The implementation of CMP444, CMP423, and CMP432 will enhance predictability, reduce volatility, lower TNUoS charges, and ultimately decrease consumer bills.
- Concerns about the lack of coordination between CMP423 and CMP444, the adverse impacts on southern generators, and propose that CMP423, CMP440, and CMP442 be considered together for better clarity and decision-making.

## Interaction with other modifications

Any comments on the interactions with other modifications, including CMP432, CMP440, CMP442 and CMP444?

- Modifying the cap and floor to reflect CMP423's outcome is necessary to correct tariffs based on a flawed methodology.
- More efficient for CMP423 to be decided upon, and if approved, implemented prior to users being allowed to fix their TNUoS charges under CMP442.
- CMP440 would better address the defect caused by the floor on demand TNUoS charges as it seeks to remove the floor and directly address why the floor was implemented.
- All of these modifications are beneficial and complementary, and we urge Ofgem to approve all of them, or an appropriate WACM, as part of a package of improved TNUoS.
- Interactions with CMP444, CMP432, CMP442, and CMP440 should be considered holistically to avoid inefficiency, with CMP444 WACM1 seen as the most effective solution for re-balancing TNUoS charges.
- These interactions should be more carefully examined to avoid any unintended consequences.

# Generation Displacement

Any comments on whether the assumption that a change in generation will displace generation elsewhere is appropriate both now and, in the future, and how this applies or is relevant to the modification?

Eight respondents agreed giving the following reasons:

- To balance the system generation is scaled to Demand and not vice versa and therefore the methodology should follow the same principle.
- Generation capacity will influence future needs. To benefit consumers, the goal should be to follow the most optimized and cost-effective siting strategy. This assumption is suitable and aligns with the current GB system and its future operations.
- Especially as renewable energy becomes a larger part of the generation mix, it faces geographic limitations such as wind resources, seabed leases, and planning availability.
- With CMP434 and CMP435 implemented, there is now a clear capacity limit for any generation technology connecting to the GB transmission network, currently governed by the Clean Power 2030 Action Plan for each technology and in the future by the Strategic Spatial Energy Plan (SSEP).

## Generation Displacement

Any comments on whether the assumption that a change in generation will displace generation elsewhere is appropriate both now and, in the future, and how this applies or is relevant to the modification?

Two respondents felt further analysis was required to assess the validity of this assumption.

One of these respondents made the following points:

- The transition to renewable energy involves integrating diverse technologies with distinct load factors and characteristics, unlike the uniform nature of thermal generation.
- Changes in generation should not be seen as simple like-for-like displacements due to the unique factors and locations of renewable energy sources.

One respondent noted that the increase in electricity demand and generation capacity expected by 2035 suggests that the current Demand-weighted reference node is more cost-reflective of the expanding system. This indicates that new generation will meet rising demand, rather than displacing existing generation, contrary to the assumptions behind the proposed generation-weighted reference node.

## Legal Text Comments

Does the draft  
legal text satisfy  
the intent of the  
modification?

Eleven respondents agreed that the legal text satisfies the intent of the modification.

One of these respondents felt the legal text met the modification intent but admitted they had not reviewed the entire 150-page methodology, trusting the Workgroup had done so.

Three respondents did not provide a response.

# Proposer response

## Possible misunderstandings?

- The respondent felt that with electricity demand expected to rise significantly due to the transition to net zero, new generation capacity will be needed and the assumption that new generation will displace existing generation with static demand is not appropriate for the future **(NESO – Niall)**
- One respondent noted that the increase in electricity demand and generation capacity expected by 2035 suggests that the current Demand-weighted reference node is more cost-reflective of the expanding system. This indicates that new generation will meet rising demand, rather than displacing existing generation, contrary to the assumptions behind the proposed generation-weighted reference node **(NESO – Niall)**
- However, one of these respondents felt this could be better achieved by CMP440 which aims to re-introduce Demand TNUoS locational signals by removal of the zero price floor. **(NESO – Niall)**
- The one respondent who disagreed felt that the aim of this modification was not intended to address the gradient of locational Demand charges and that it had not been demonstrated that changing the reference node is the most appropriate solution to the zero-price floor issue. **(Centrica – Greg)**
- There is concern that shifting revenue recovery to demand users could increase costs for consumers and risk supplier insolvency **(NESO – Niall)**
- Changes in generation should not be seen as simple like-for-like displacements due to the unique factors and locations of renewable energy sources **(Orsted- Chia)**



# Legal Text Discussion

# Terms of Reference Review

# CMP423 – Terms of Reference

Workgroup Term of Reference
a) Consider EBR implications
b) Consider implications for the network sharing calculation in the Transport and Tariff model
c) Consider potential locations for new generation such as via the TEC Register, seabed leasing, or other planning sources
d) Consider the impact on tariffs that may arise from changes in the way circuits may be placed into either Peak Security and Year-Round buckets.
e) Consider the impact on demand customers contribution from a different location signal especially those unable to react to those signals
f) Consider interactions with other Task Force modifications
g) Consider if the assumption that change in generation will displace generation elsewhere is an appropriate assumption now and in the future.
h) Consider whether the reduction within generation charges approaches the euro floor in the limiting regulation and what would happen in that circumstance
i) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter.

Workgroup Term of Reference	Comments
a) Consider EBR implications	Page 30 Consultation document members agreed no impact/Consultation <b>Question 6</b> – 11 Respondents agreed no impact (3 did not respond)
b) Consider implications for the network sharing calculation in the Transport and Tariff model	Page 30–32 Consultation document
c) Consider potential locations for new generation such as via the TEC Register, seabed leasing, or other planning sources	Page 32 – 35 Consultation document
d) Consider the impact on tariffs that may arise from changes in the way circuits may be placed into either Peak Security and Year-Round buckets.	Page 35 Consultation document
e) Consider the impact on demand customers contribution from a different location signal especially those unable to react to those signals	Page 16–18 Consultation document
f) Consider interactions with other Task Force modifications	Page 36 Consultation document and Analysis/Consultation <b>Question 9</b> Responses on interactions with other modifications.
g) Consider if the assumption that change in generation will displace generation elsewhere is an appropriate assumption now and in the future.	Page 7 and 10 Consultation document/Consultation <b>Question 10</b> Responses
h) Consider whether the reduction within generation charges approaches the euro floor in the limiting regulation and what would happen in that circumstance	Page 36 – 37 Consultation document
i) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter.	Page 37 Consultation document

# Action Update

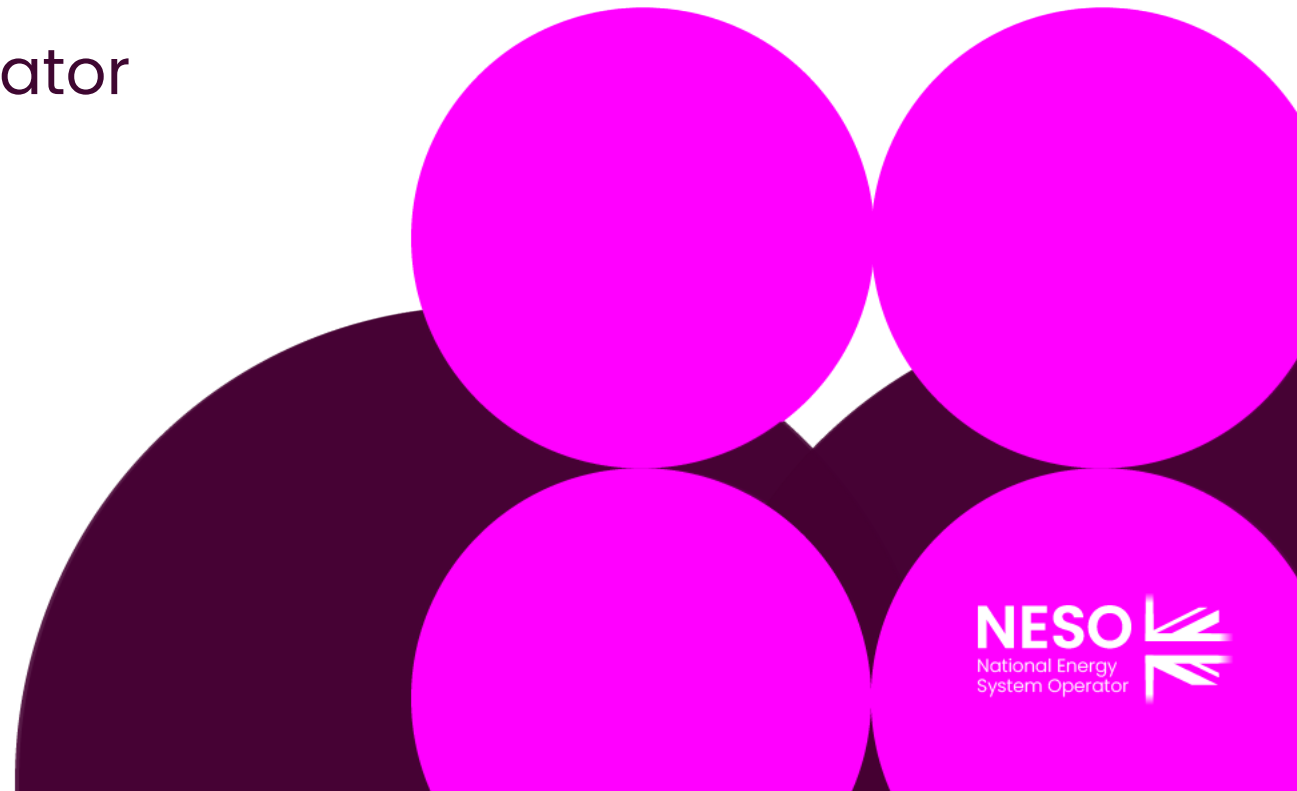
# CMP423 Actions Review

Action Number	Workgroup Raised	Owner	Action	Due by	Status	Latest
17	WG6	NC	align the axis on the graph and consolidate them into a single chart.	23 May 2025	Closed	
18	WG6	JT	Add the suggested proportions to the spreadsheet for a clearer understanding of the impact.	23 May 2025	Closed	
19	WG6	JT	Incorporate the overall impact on revenue collection from demand charges rather than dividing it into separate rates. Proposer to add this information to the report.	23 May 2025	Closed	
20	WG6	DS	Arrange for a slot on the next TCMF meeting.	4 June 2025	Closed	
21	WG6	CG	Share Workgroup Consultation with Workgroup members for review.	23 May 2025	Closed	
22	WG6	ALL	Review the Consultation Report and send comments by EOD Tuesday 27 May	27 May 2025	Closed	
23	WG7	CG	Share Workgroup Report with Workgroup members to review	TBC	New	
24	WG7	NC/CG	NC to share suggested amendments to legal text to the Chair who will circulate to members for review	TBC	New	
25	WG7	JT	Reach out to GE from Centrica regarding consultation respond and feedback to WG	WG8	New	



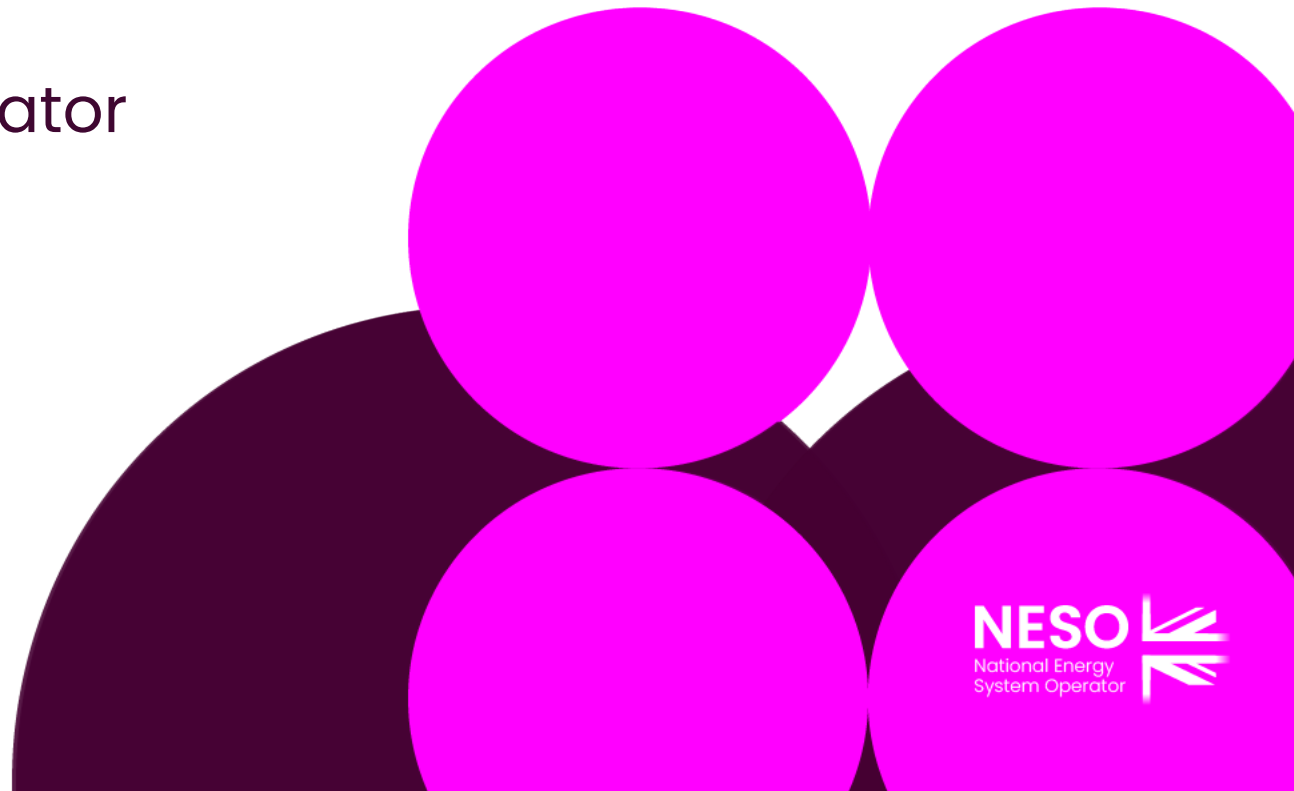
# Any Other Business

Claire Gault – NESO Code Administrator



# Next Steps

Claire Gault – NESO Code Administrator



# Appendix

# Workgroup Membership

Role	Name	Company	Alternate
Chair	Claire Goult	NESO	
Tech Sec	Andrew Hemus	NESO	
Proposer	John Tindal	SSE	Damian Clough
Workgroup Member	Niall Coyle	NESO	Paul Mott
Workgroup Member	Ryan Ward	Scottish Power Renewables	Joe Dunn/Hector Perez
Workgroup Member	Robin Dunne	Intergen UK	Ben Butler
Workgroup Member	Robert Longden	Enco Energy Trade	
Workgroup Member	Tom Steward	RWE	Lauren Jauss
Workgroup Member	Dennis Gowland	Research Relay Ltd	John Morgan
Workgroup Member	Simon Lord	Engie	Andrew Rimmer
Workgroup Member	Gregory Edwards	Centrica	James Knight
Workgroup Member	Graham Pannel	BayWa r.e	Jonathan Oguntola
Workgroup Member	Nick Sillito	Peakgen	
Workgroup Member	Nicolas Lescal	Ocean Winds	Giulia Licocci
Workgroup Member	Paul Youngman	Drax	Joshua Logan
Workgroup Member	Binoy Dharsi	EDFR	Glenn Smith

# Workgroup Membership

Role	Name	Company	Alternate
Subject Matter Expert	Dan Hickman	NESO	
Workgroup Observer	William Maidment	Ventient Energy	
Workgroup Observer	Alan Kelly	Corio Generation	
Workgroup Observer	Faiva Wadawasina	Bellrock offshore Windfarm Limited/ Broadshore Offshore Windfarm limited	Barney Cowin
Workgroup Observer	Archie Campbell	Zenobe	Tom Palmer
Workgroup Observer	Chia Nwajagu	Ørsted	David Wellard
Workgroup Observer	Sally Ann Young	SSE	
Workgroup Observer	Jess Rivalland	NESO	
Workgroup Observer	Nina Sharma	Drax	
Authority Representative	David Ffrench-Mullen	Ofgem	