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Workgroup Consultation Response Proforma

CMP423: Generation Weighted Reference Node

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@neso.energy by **5pm** on **20 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 cusc.team@neso.energy

Respondent details	Please enter your details	
Respondent name:	Tony Diccico	
Company name:	ESB Generation & Trading	
Email address:	Anthony.diccico@esb.ie	
Phone number:	07780438290	
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

I wish my response to be:

(Please mark the relevant box)

<input checked="" type="checkbox"/> Non-Confidential (<i>this <u>will be shared</u> with industry and the Panel for further consideration</i>)
<input type="checkbox"/> Confidential (<i>this will be disclosed to the Authority in full but, unless specified, <u>will not be</u></i>)

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shared with the Workgroup, 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, 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

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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 Workgroup Consultation questions				
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives versus the current baseline?	<p>Mark the Objectives which you believe the Original solution better facilitates than the current baseline:</p> <table border="1"> <tr> <td>Original</td> <td> <input checked="" type="checkbox"/>d <input checked="" type="checkbox"/>e <input checked="" type="checkbox"/>f <input type="checkbox"/>g <input type="checkbox"/>h <input type="checkbox"/>None </td> </tr> </table> <p>We believe that the Original Proposal better meets the Applicable CUSC Objectives: d, e & f. It will promote more effective competition and make the transmission use of system charges more cost-reflective of developments of the GB electricity transmission network. We agree with the proposer that the current approach of using a Demand-weighted reference node is not cost reflective – it does not appropriately reflect how the system would respond to changes in User decisions, and it distorts the relative locational price signals produced by the charging methodology. We agree that this defect can be rectified by switching from a Demand weighted reference node to a generation weighted reference node instead.</p>	Original	<input checked="" type="checkbox"/> d <input checked="" type="checkbox"/> e <input checked="" type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input type="checkbox"/> None
Original	<input checked="" type="checkbox"/> d <input checked="" type="checkbox"/> e <input checked="" type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input type="checkbox"/> None			
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>We support the proposed Implementation Date of 01 April 2027, with a proposed decision no later than 30 September 2026 – to give time to make the necessary</p>		

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		<p>changes to Section 14 of the CUSC (Charging Methodologies).</p> <p>We agree that it would be beneficial for bidders in the the AR7 CfD auction round to receive a decision as early as possible. This is to provide successful CfD bidders better certainty of their TNUoS charges before they reach final investment decision.</p>
3	Do you have any other comments?	<p>The NESO analysis showed that the trend change in TNUoS charges over time dominates the reduction in Generator charges from CMP423. For northern Generators, in particular, this proposal will only partially mitigate the large increase in charges over time, so that even after this modification, Generators in northern zones would still pay charges that are considerably more expensive than in 2024/25. Therefore, on its own, CMP423 may not deliver the reductions in charges that are required to attract new investment in some northern zones. Therefore, other modifications, such as CMP444, may also be required.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<div> <input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section) <input checked="" type="checkbox"/> No </div> <div>Click or tap here to enter text.</div>
5	Does the draft legal text satisfy the intent of the modification?	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <div>Click or tap here to enter text.</div>

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6	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

Specific Workgroup Consultation questions

7	Is it beneficial that the modification would largely reinstate the gradient of locational Demand charges?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.
8	Do you have any comments on the change in revenue collection proportions between generation and Demand?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Ofgem's Targeted Charging Review (TCR) decision resulted in a large step-change increase in the total revenue collected from Generators from 2021/22. We note that the implementation of CMP423 would go some way to mitigate this impact and reduce the total revenue collected from Generators closer to where they would have been before the TCR increase.</p>
9	Do you have any comments on the	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	interactions between <u>CMP423</u> with other modifications, including <u>CMP432</u> , <u>CMP440</u> , <u>CMP442</u> and <u>CMP444</u> ?	There are potentially complex interactions between CMP423 with CMP444 (Introducing a Cap and Floor to wider generation TNUoS Charges); CMP432 (Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs; CMP442 (Introducing the option to fix Generator TNUoS charges) and CMP440 (Re-introduction of Demand TNUoS locational signals by removal of the zero-price floor). These interactions need to be considered holistically to ensure that the end result does not lead to an inefficient outcome. Some initial analysis is shown in the Working Group report of the interaction between CMP423 and CMP444 – this analysis should be revisited when Ofgem makes a decision on which CMP444 WACM (if any) it prefers. We believe that CMP 444 WACM 1 (“Northland Power”) will provide the most effective means of re-balancing TNUoS charges and should be introduced as a matter of priority.
10	Regarding terms of reference (g), do you have 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?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>We would like to see some more analysis on this before making a definitive statement.</p>

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