Public

CMP445: Pro-rating first year TNUoS for Generators

Workgroup 5, 17 September 2025

Online Meeting via Teams

NESO
National Energy System Operator

WELCOME

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Agenda

Topics to be discussed	Lead
Introduction	Chair
Timeline	Chair
Outstanding Actions	Chair
WACM1 Update	WACM1 Proposer
Workgroup Consultation Responses Review	All
Alternative Request 2: Charging TNUoS on a daily basis	Richard Buckland, Brockwell Energy
Alternative Vote	Chair
Terms of Reference Discussion	Chair
AOB	Chair
Next Steps	Chair

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

Workgroup Membership

Role	Name	Company
Proposer	Angus Armstrong	Ocean Winds
Workgroup Member	Sean Nugent	NESO
Workgroup Member	Graham Pannell	BayWa r.e.
Workgroup Member	Thibaut Cheret	Offshore Energy UK
Workgroup Member	Ryan Ward	ScottishPower Renewables
Workgroup Member	Garth Graham	SSE Generation
Workgroup Member	Archie Campbell	Zenobe Energy Limited
Workgroup Member	Marc Smeed	Corio Generation
Workgroup Member	Richard Buckland	Brockwell Energy
Observer	Daniel Hickman	NESO
Observer	Abei Energy	Abei Energy
Observer	Orsted	Orsted
Observer	Waters Wye Associates	Waters Wye Associates
Authority Representative	Louis Sandiford	Ofgem

What is the Alternative Request?

What is an Alternative Request? The formal starting point for a Workgroup Alternative Modification to be developed which can be raised up until the Workgroup Vote.

What do I need to include in my Alternative Request form? The requirements are the same for a Modification Proposal you need to articulate in writing:
- a description (in reasonable but not excessive detail) of the issue or defect which the proposal seeks to address compared to the current proposed solution(s);
- the reasons why the you believe that the proposed alternative request would better facilitate the Applicable Objectives compared with the current proposed solution(s) together with background information;
- where possible, an indication of those parts of the Code which would need amending in order to give effect to (and/or would otherwise be affected by) the proposed alterative request and an indication of the impacts of those amendments or effects; and
- where possible, an indication of the impact of the proposed alterative request on relevant computer systems and processes.

How do Alternative Requests become formal Workgroup Alternative Modifications? The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the current proposed solution(s), the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Workgroup Alternative Modifications? NESO will assist Proposers and Workgroups with the production of draft legal text once a clear solution has been developed to support discussion and understanding of the Workgroup Alternative Modifications.

Timeline for CMP445 as of 09 July 2025

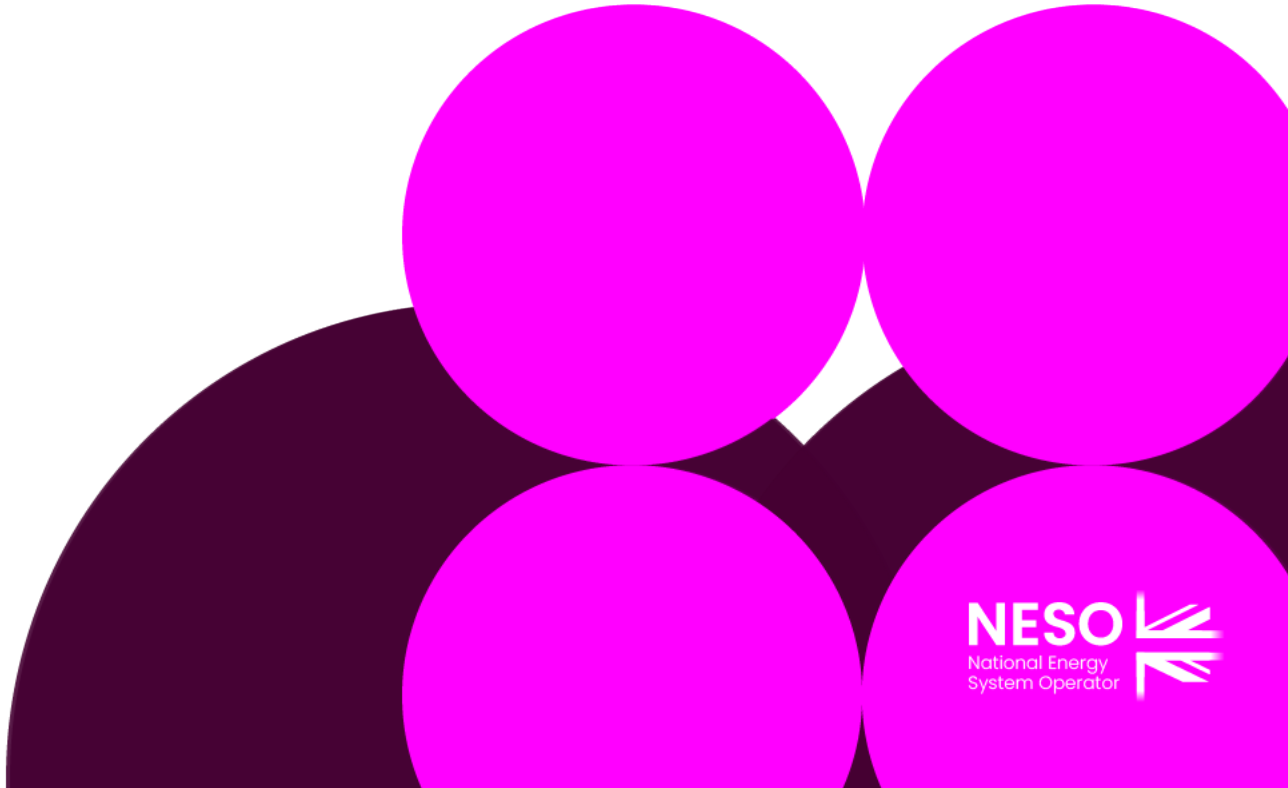
Milestone	Date	Milestone	Date
Modification presented to Panel	29 November 2024	Code Administrator Consultation	9 March 2026 to 30 March 2026
Workgroup Nominations (15 business days)	1 April 2025 to 17 April 2025	Draft Final Modification Report (DFMR) issued to Panel (5 business days)	17 April 2026
Workgroups 1 to 4	• 29 April 2025 – Initial discussion • 20 May 2025 – Consider Legal Text and action updates • 18 June 2025 – Discuss Workgroup Consultation and Draft Legal Text • 15 July 2025 – Consider alternative 1, Finalise Workgroup Consultation and Draft Legal Text ready to send to industry	Panel undertake DFMR recommendation vote	24 April 2026
Workgroup Consultation (21 business days)	25 July 2025 to 22 August 2025	Final Modification Report issued to Panel to check votes recorded correctly	24 April 2026 to 1 May 2026
Workgroups 5-9	• 17 September 2025 – Review Workgroup Consultation feedback, vote on Alternative 2 • 6 October 2025 – Review Workgroup Report and Legal Text • 3 November 2025 – Review Workgroup Report and Legal Text • 1 December 2025 - Finalise Workgroup Report and Legal Text • 29 December 2025 – Close off any outstanding actions and Workgroup vote	Final Modification Report issued to Ofgem	1 May 2026
Workgroup report issued to Panel	20 February 2025	Ofgem decision needed by	30 September 2026
Panel sign off that Workgroup Report has met its Terms of Reference	27 February 2025	Implementation Date	01 April 2027

Outstanding actions

Action number	Workgroup Raised	Owner	Action	Comment	Status
17	WG3	DC	Ensure the Workgroup report covers the discussion on over and under recovery and its impact.	Completed	To be closed

WACM1 Update

Stephen Dale – NESO



WACM1 Proposal Recap

- CMP445 WACM1 introduces the concept of a “relevant charging date” to allow for multiple entry and exit points for TNUoS charging.
- WACM1 reflects a more flexible, lifecycle-based approach to charging, with;
  - incremental / decremental TEC allocation.
  - Charging pro rata calculated on a daily basis.
  - Changes in TEC to support staged commissioning & decommissioning of generation capacity.
- The approach is targeting permanent changes in a Generators TEC provision, ensuring charges are pro-rated based on actual firm Transmission Entry Capacity (TEC) used throughout the year or part of.
- The intent is not to support profiling in a year for short term changes which would reduce charges whilst providing little or no network benefit to other potential operators or investment.

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WACM1 Proposal Update

- CMP445 WACM1 has been reviewed by industry partners and similar to the Workgroup the principle is sound.
- In discussion the view has been expressed that the current wording could be interpreted to apply to New Sites but not include incremental allocation of TEC to existing Generators building out their capability with existing or new technologies.
- We would reiterate that the intent of the proposal from both Commercial Codes and Revenue was to capture these stepped permanent increases / decreases in the scope of CMP455 WACM1.
- It has become clear that the current wording is lacking in terms of clarity and so NESO as the proposer would seek the support of the Workgroup in updating the wording of the legal text and within the Workgroup Report to clarify this point.
- I would welcome input on any exclusions aside from temporary changes of TEC with the 2-year period discussed by the Workgroup.

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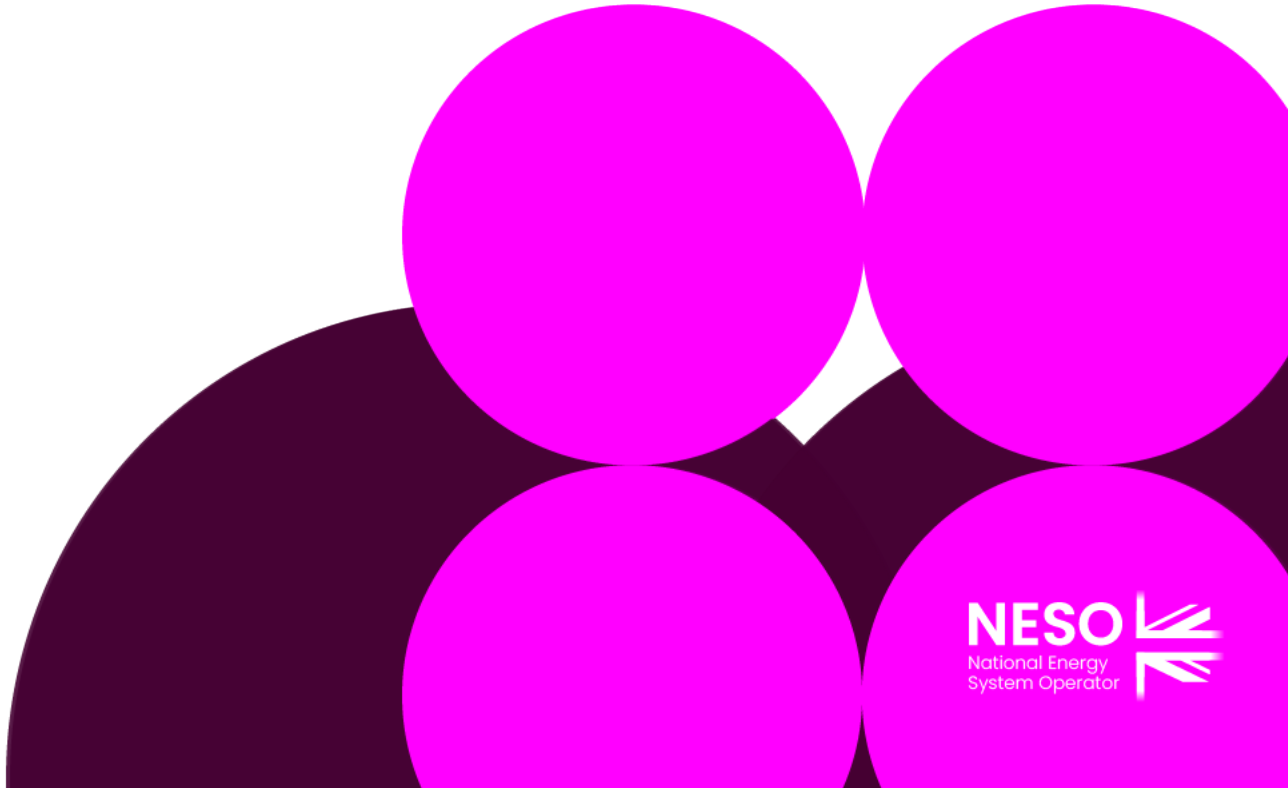
Alternative Request 2 - Charging TNUoS on a daily basis

Richard Buckland, Brockwell Energy



Context

- Brockwell energy was offered, and accepted a 212MW connection, due in April 2024
- Capacity has been delayed to July 2025, October 2025, and now (possibly) January 2026
- 79MW has been provided
- Delay in capacity costs millions in terms of energy sales
- Delay in capacity costs millions in terms of TNUoS charging

The defect

- TEC is charged on highest TEC during a charging year
- Brockwell would be charged for 212MW, although that capacity is only available for part of the year
- Annual charges for generators increasing capacity within a year are discriminatory and not cost-reflective
- CMP445 is an existing proposal that seeks to allow pro-rating of charges when a generator first connects
- That does not address generators who are already connected, and are increasing (or decreasing) capacity

CMP459

- Brockwell raised CMP459
  - Charging would reflect start date as well as level of capacity when TEC increases (or decreases) within a charging year
  - Implementation was to be April 2026
  - Implementation was retrospective for generators connecting in 2025/26
- The CUSC Panel considered CMP459 could be addressed by an Alternative to CMP445
- CMP445 workgroup consultation considers that this defect is outside the scope of CMP445:

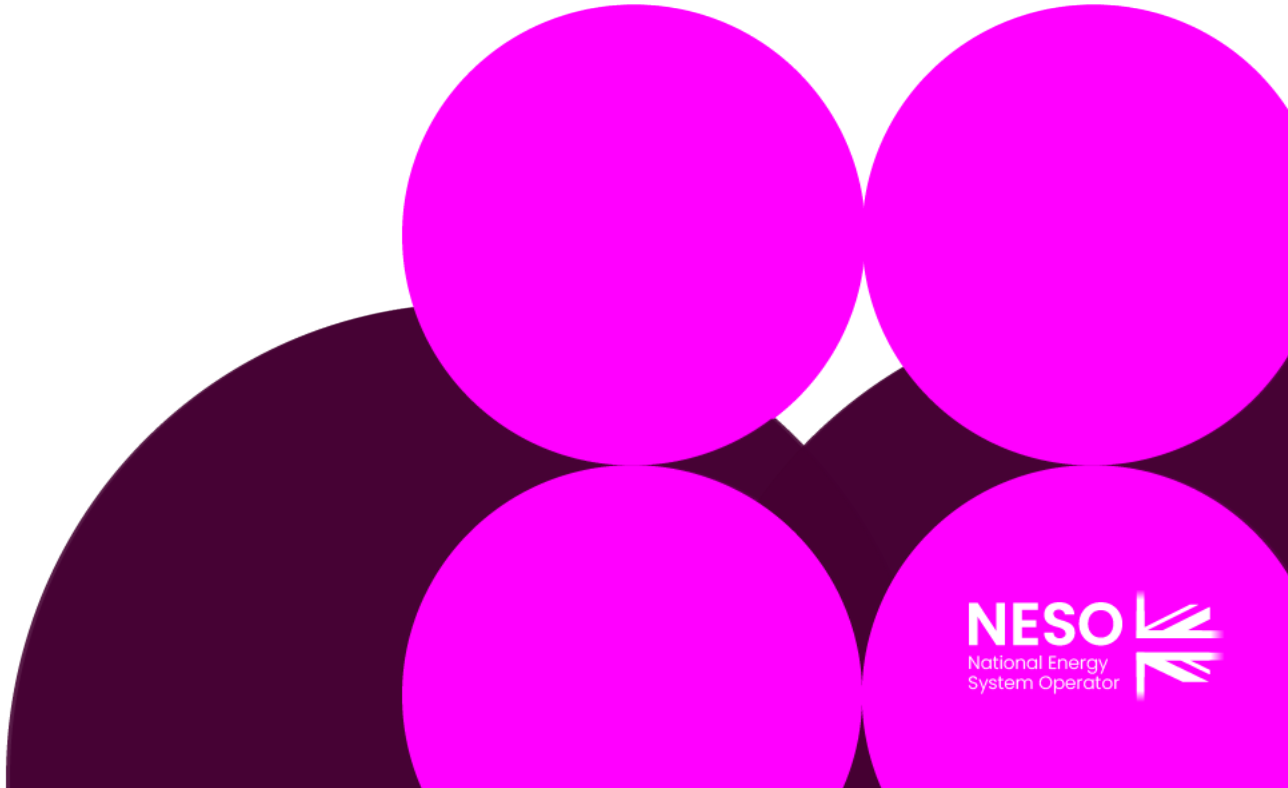
> It was suggested that a separate modification would be needed to address the specific defect related to TEC profiling and operational changes. This would allow for a more thorough examination of the implications and potential solutions.

The proposed Alternative

- TNUoS is currently charged on an annual basis, based on the highest TEC during the year
- The proposal is to charge TNUoS based on monthly or daily TEC, not annual, TEC
- Results in charges closer to costs
- Generators should not be charged for a system that they are not using
- Implementation April 2027
- Retrospection requested due to significant commercial impact (CMP425 was retrospective)

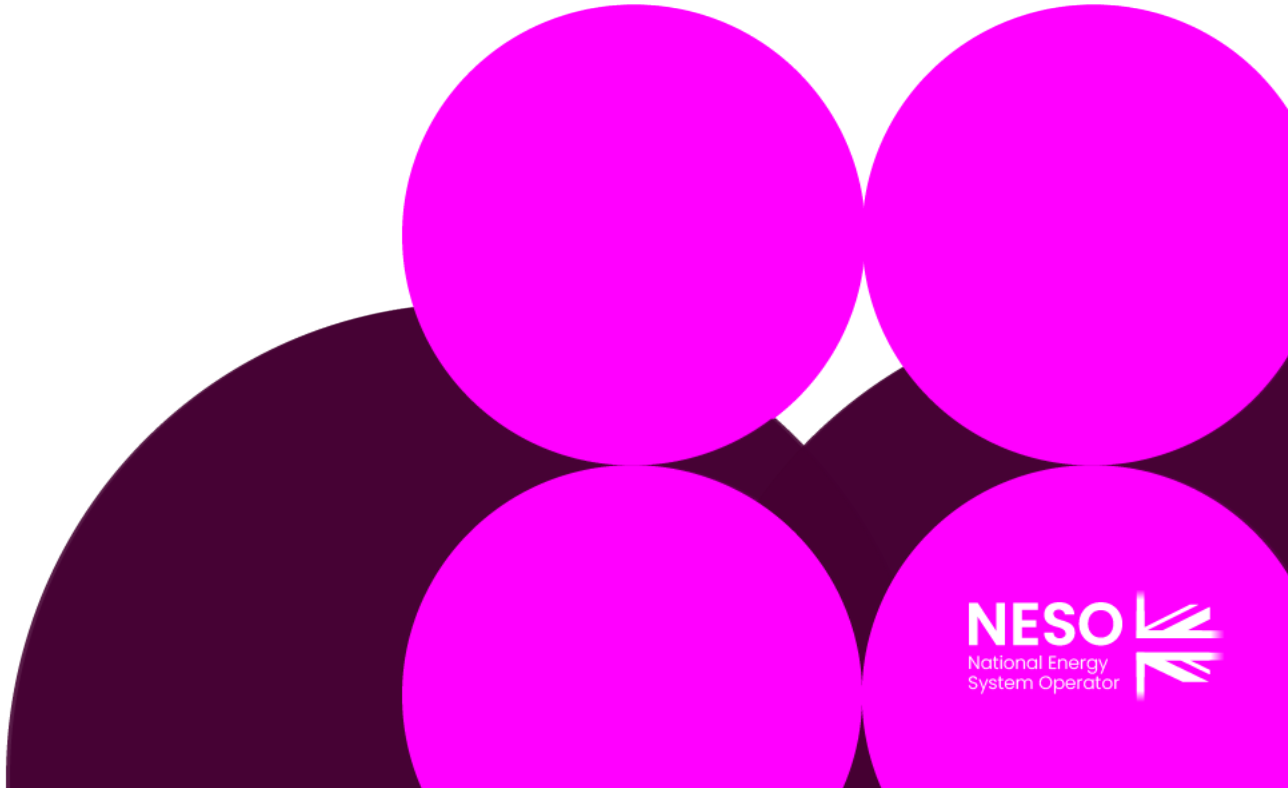
Alternative Request 2 Vote

Kat Higby – NESO Code Administrator



Workgroup Consultation Responses Review

Kat Higby – NESO Code Administrator



Workgroup Consultation Responses Review

Q1 - Do you believe that the Original Proposal and / or WACM1 better facilitate the Applicable Objectives? (8 Respondents in total)	None	d	e	f	g	h
Original	0	8	7	7	2	5
WACM1	1	6	7	6	2	5

Question	Yes	No	No response
Q2 - Do you support the proposed implementation approach?	**6**	2	0
Q3 - Do you have any other comments?	**3**	1	4
Q4 - Any alternatives?	1	**7**	0
Q5 - Does the draft legal text satisfy the intent of the modification?	**7**	0	1
Q6 - 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?	**8**	0	0
Q7 - In negative charging zones, Generators receive credits based on output from November to February, unlike the TEC-based approach used in positive charging zones. The Workgroup propose that the prorating should be applied equally to all zones without distinction between positive or negatively charged zones. Do you agree? Please explain your rationale.	**6**	2	0
Q8 - Do you have any views on the specific calculation proposed for prorating charges? Please provide your views.	**5**	3	0
Q9 - Do you agree that a similar solution should be applied to operational users who permanently reduce their TEC, such as when decommissioning capacity or closing a generating station (or phase of a generating station)? please explain your rationale	**7**	0	1
Q2 - Do you support the proposed implementation approach?	**6**	2	0

Workgroup Consultation Responses Review

Key points for the Workgroup to consider on WACM1:

Notice Period: The lack of a notice period for other potential users of the Transmission Entry Capacity (TEC) makes system planning more difficult and could increase costs. The current approach encourages parties to give more notice, as they must pay a year's worth of TNUoS if they do not give five days' notice ahead of the charging year.

Charge Setting: Tariffs are set based on the assumption that the Generator will be present for the following charging year, impacting all other Generators on the system. A large Generator in the North could push up Northern prices and make Southern prices more negative. An existing Generator could remain connected for just one day in the charging year, impacting TNUoS charges for all other Generators, then disconnect and pay very little TNUoS. This scenario presents the potential for gaming across a portfolio.

Scaling Factors: Scaling factors for a Generator take into account annual usage and availability. If a Generator disconnects partway through the charging year, there is a question of whether the TEC values feeding into the DCLF model should be altered if there is sufficient notice.

Seasonal Disconnects: A solar farm may value TEC more highly up until winter and then disconnect, giving up TEC for the winter. The value of that TEC for other users during the winter period alone is questionable. It was noted that the benefit of releasing TEC to the system may be overstated or could be achieved by existing means, such as temporary or permanent TEC trading

Underpayment for System Use: There is a concern that by not paying a full year's worth of TNUoS, an asset may be underpaying for the use of the system

Workgroup Consultation Responses Review

Q2 - Do you support the proposed implementation approach?	Yes	No	No response
Response (8 Respondents in total)	6 (75%)	2 (25%)	0

Key points:

Full support for the Proposal with positive responses on the following:

- **Risk Reduction**: The proposal reduces the risk of within-year grid delays that delay revenues but are still subject to transmission charges
- **Liability for Charges**: Generators should not be liable for TNUoS charges during periods when they are not yet connected to the transmission system, especially when delays are beyond their control
- **Fair Competition and Cost Reflectivity**: This change would correct the flaw in the current methodology, improve cost reflectivity, and support fair competition by ensuring newly connecting Generators pay only for the period they are actually connected
- **Positive Impact on Competition**: The proposal is seen as positive for fair competition, cost reflectivity, and reducing economic impact from delays

Workgroup Consultation Responses Review

Q5 - Does the draft legal text satisfy the intent of the modification?	Yes	No	No response
Response (8 Respondents in total)	7 (88%)	0 (0%)	1 (13%)

Key points:

Support for WACM1: There is general support for WACM1, but clarity is needed on the specific changes in the legal text.

Cost Reflectivity and Investment Certainty: The proposal aims to create a more cost-reflective process for NESO and Generators. This is important as it provides more certainty for investment decisions. The legal text is straightforward and effectively delivers the intent of the modification, making the process more transparent and predictable for Generators who wish to know their charges.

Pro-Rating and TEC Increases: There is a need for clarity on how pro-rating will be applied, especially in relation to TEC increases within the charging year. The respondents seek more clarity on the reference to "other than by way of a phased/staged connection with separate Charging Date(s) where the connection of a new phase/stage would be pro-rated in accordance with 14.18.19(a) above." This could be interpreted as pro-rating with respect to TEC increases within the Charging Year.

Workgroup Consultation Responses Review

Q7 - In negative charging zones, Generators receive credits based on output from November to February, unlike the TEC-based approach used in positive charging zones. The Workgroup propose that the prorating should be applied equally to all zones without distinction between positive or negatively charged zones. Do you agree? Please explain your rationale.	Yes	No	No response
Response (8 Respondents in total)	6 (75%)	2 (25%)	0 (0%)

Key points:

Equal Treatment Across Zones: Many respondents emphasised the importance of treating Generators equally, regardless of the charging zone they are in. This includes applying prorating consistently across all zones.

Support for Prorating: There is general support for the principle of prorating charges across all TNUoS generation zones, whether subject to positive or negative charges. However, some respondents believe that the approach to prorating should reflect the different methodologies used for calculating charges in positive and negative zones.

Methodology Differences: Two responses highlighted the need to maintain the distinction between positive and negative zones due to the different methodologies used for calculating charges. Specifically, negative charges should be prorated based on actual output from November to February, rather than using the TEC-based approach applied in positive charging zones.

Consistency and Fairness: There is a strong emphasis on consistency and fairness in the application of prorating. Six respondents believe that the pro-rata approach should be consistent across different zones, independent of whether it is a positive or negative zone.

Concerns About Negative Charges: Some respondents expressed concerns about prorating negative charges in the same way as positive charges. They believe that applying a TEC-based approach to negative zones would not align with the intended purpose of negative charges.

Workgroup Consultation Responses Review

Q8 - Do you have any views on the specific calculation proposed for prorating charges? Please provide your views.	Yes	No	No response
Response (8 Respondents in total)	5 (63%)	3 (38%)	0 (0%)

Key points:

Simplicity and Clarity: Many respondents appreciate the simplicity of the proposed calculation method for prorated charges. They emphasise the importance of maintaining clarity in how these calculations are reflected in invoices issued to Generators.

Consistency in Presentation: There is a strong preference for retaining the current format of monthly invoices, with the prorated charges incorporated accordingly. This approach ensures alignment with how charges are presented in subsequent charging years beyond the first year.

Fairness and Precision: Respondents agree that pro-rating TNUoS charges based on the number of days from the moment a Generator connects or decommissions simplifies the calculation and reduces the burden of complex reconciliation processes. This method is seen as more precise and fairer, removing incentives to connect on specific dates.

Daily vs. Monthly Calculation: While there is no strong consensus on whether a daily or monthly calculation is better, some respondents believe that a daily pro-rata basis is more precise and fairer. They argue that this approach avoids the incentive to connect on the first of any month and could save Generators significant amounts compared to a monthly approach.

Leap Year Consideration: There is a need to correct a typo in the workgroup consultation regarding the calculation for leap years. The correct reference should be "1/366 on a leap year" instead of "1/356 on a leap year"

Workgroup Consultation Responses Review

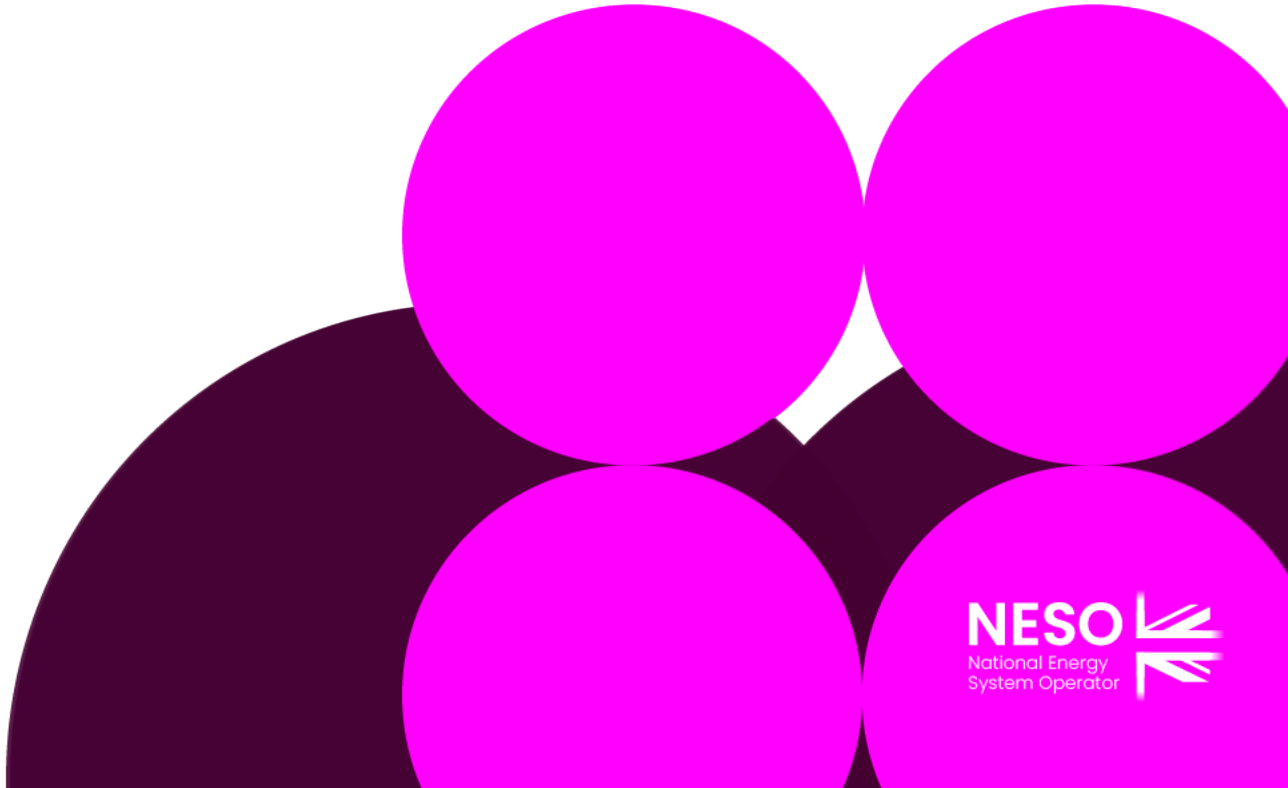
Q9 – Do you agree that a similar solution should be applied to operational users who permanently reduce their TEC, such as when decommissioning capacity or closing a generating station (or phase of a generating station)? please explain your rationale	Yes	No	No response
Response (8 Respondents in total)	7 (88%)	0 (0%)	1 (13%)

Key points:

- **Application to TEC Reductions**: There is support for applying a similar prorating approach to operational users who permanently reduce their TEC. This is believed to promote good behaviours in terms of releasing TEC back to the network. However, there are concerns that this could incentivise earlier than necessary retirement or closure of generation capacity, including in negative charging zones.
- **Potential Unintended Consequences**: Some respondents are cautious about the potential unintended consequences of applying prorating at the end of the generation/operational cycle. They believe that further assessment may be needed to ensure that the approach does not lead to counterproductive outcomes.
- **Symmetry in Commissioning and Decommissioning**: There is a consensus that the prorating approach should be symmetric for both commissioning and decommissioning scenarios. This ensures that Generators are not overcharged at the start or end of a project's life.
- **Permanent Changes in TEC**: Respondents believe that a similar pro-rata approach should be applied in any scenario where the permanent TEC changes, whether it increases or decreases. This would ensure that the network charges a Generator pays most accurately reflect their ability to use the network.
- **Scope of Modification**: There is a concern about whether this approach would be in the scope of the current modification or if it would need to be part of a broader modification.

Any Other Business

Kat Higby– NESO Code Administrator



Next Steps

Kat Higby– NESO Code Administrator