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CUSC Modification Proposal Form

CMP463: Stabilising the Specific Onshore Expansion Factors from 1st April 2026

Overview: The Price Control from April 2026 has led to large, unexpected increases in Specific Onshore Expansion Factors. This modification seeks to hold those Specific Expansion Factors at 2025/26 levels, similar to the [CMP353](#) approach, ahead of a larger more fundamental review of TNUoS.

Modification process & timetable



Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: High impact Generators.

Proposer's recommendation of governance route	Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)
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Who can I talk to about the change?	Proposer: Damian Clough Damian.Clough@sse.com	Code Administrator Contact: Catia Gomes Catia.gomes@neso.energy
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Contents

What is the issue?	3
Why change?	10
What is the Proposer's solution?	12
Draft legal text.....	13
What is the impact of this change?	13
When will this change take place?	16
Date decision required by	16
Implementation approach	16
Proposer's justification for governance route.....	16
Interactions	19
Acronyms, key terms and reference material	19
Reference material.....	20

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What is the issue?

The latest National Energy System Operator (NESO) forecast of Transmission Network Use of System (TNUoS) tariffs for 2026/27 indicated a large uplift of 41% in the Specific Expansion Factors (SEF), which NESO justified based on using new RIIO-T3 Price Control¹ financial treatments. This uplift would cause very large detrimental impacts to some Users and relatively large impacts on others in ways that Users could not have reasonably expected and cannot usefully respond to.

From reading the Baseline Connection and Use of System Code (CUSC), it is ambiguous and not clear that NESO should be recalculating the Specific Expansion Factors at all for RIIO-T3. If it is viewed that the CUSC does require this recalculation, then this represents an unjustified discrimination against Specific Expansion Factors which this modification would correct.

Regarding the applicable CUSC objectives, the justification² for this modification and design of the solution are both based on the same principle as CMP353³, which Ofgem previously approved with the rationale that “*Such unexpected changes in charges are, in our view, detrimental to competition*”.

How Specific Expansion Factors fit within the charging methodology

Generators and demand Users pay for the ongoing costs of the transmission network via TNUoS charges. These charges are a combination of cost-reflective forward-looking charges and residual charges. Cost-reflective TNUoS charges are designed to reflect the different costs of demand and generation at various locations on the GB transmission network, to incentivise the efficient use of the system. The expansion constant (EC) is an input to the TNUoS charging methodology. It reflects the annuitized £/MW/km cost of 400kV overhead line and acts as a multiplier to the ‘nodal’ TNUoS prices (the relative costs of adding 1MW of generation at each point on the transmission network, or ‘node’). The expansion factors (EF) reflect the difference in cost of different types of circuits compared to 400kV overhead line; for example, Cable or 132kV Overhead line.

¹ Price Controls are determined by Ofgem: [Energy network price controls | Ofgem](#)

² Which is detailed in the table below: briefly, positive for (d) and (e), neutral for (f), (g) and (h).

³ CMP353 'Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st April 2021' | National Energy System Operator

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The Non-Specific Expansion Factors use a form of average cost for different types of network circuit and create a GB wide expansion factor for each particular type of circuits.

By contrast, Specific Expansion Factors are calculated based on the actual cost of individual circuits and then for charging purposes, applied for each of those individual circuits separately. This is done when that individual circuit is, for example, an 'Onshore' undersea high voltage direct current, (HVDC) cable.

Network project costs do not change once a project has been built. The Specific Expansion Factors have remained stable throughout the latest RIIO-T2 Price Control. There is, accordingly, also an expectation that they will remain stable going forward.

Explaining impact of increase in Specific Expansion Factors

The latest updated forecast of TNUoS tariffs for 2026/27 produced by [NESO](#) on 10th September 2025 showed a substantial and crucially, unexpected and unpredictable, increase in the Specific Expansion Factors ahead of the next Financial Year (2026/27) due to inputs falling out of the next (RIIO-T3) Price Control starting in April 2026. These increases are entirely due to the 'Annuity Factor' and the 'Overhead Costs' and are still subject to further change. Table 1 shows the NESO forecast changes to the current, individually calculated, 'Specific Expansion Factors' as of this latest NESO TNUoS 5-year forecast.

Table 1

Network	TO Region	Bus 1	Bus 2	Link Type	Specific Expansion Factor: RIIO-T2	Specific Expansion Factor: RIIO-T3	Increase in SEF RIIO-T3 vs RIIO-T2
Western Bootstrap	SP	FLIB40	HUNE40	HVDC	4.66	6.55	41%
Caithness Moray bootstrap	SSE	BLHI20	SPIT20	HVDC	14.69	20.67	41%
Shetland Link	SSE	KERG20	BLHI20	Cable	8.7	12.24	41%
Western Isles	SSE	DOUN20	FINS20	Cable	16.26	22.88	41%
Eastern bootstrap	SP	BRNX4A	HAWP4A	HVDC	11.01	15.49	41%

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Eastern bootstrap	SSE	PEHE40	DRAX40	HVDC	6.7	9.42	41%
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The impact on Users varies for a number of reasons. If an affected circuit is charged to a Generator as a radial local circuit, then the impact for that Generator would be relatively large because its local circuit tariff is calculated assuming all of its incremental generation flows down that affected circuit. This means those Users will see increases in their local circuit tariff of 41%.

When circuits are part of the wider system, although the specific expansion factors have increased by 41% this does not equate to a 41% increase in Wider Tariffs for those affected parties. A much larger number of Generators will be affected by changes in the Wider tariffs, but the impact on each individual Generator will be smaller as the increase in affected circuit cost is averaged across the Wider zonal charges.

The difference in treatment of the Expansion Factor for ‘Non-Specific’ compared to ‘Specific’ situations; as set out in the CUSC Section 14 (TNUoS tariff calculation) methodology; detrimentally affects competition. The majority of GB Users have seen historic increases (of the Expansion Factors relevant to them) being put on hold to allow for a thorough review (by Ofgem) over whether those increases are appropriate, whereas for a very small minority of Users they are now currently facing large increases (of the Expansion Factors relevant to them) for a similar defect (similar to that addressed by CMP353).

The actual Impact on a particular User is dependent on the location of the User’s asset in relation to those circuits with Specific Expansion Factors. This therefore appears more like a ‘lottery’ as opposed to cost reflective charging.

It is unjustifiable for Users to benefit from an unexpected and unpredictable increase in Generator adjustment credit that would arise from Specific Expansion Factors rising by 41% for transmission assets which are already built and financed. It is highly likely that any such increase in revenue⁴ would be a windfall gain to these Users as opposed to being either expected or forecasted by them.

It should be noted that changes to the Specific Expansion Constant which existed at the time, did not occur at the start of the last RII0-T2 Price Control and the

⁴ Arising from the change to the negative TNUoS tariff.

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CUSC does not clearly and unambiguously stipulate that they must change at all; as highlighted in the discussion around the current legal text below. This further adds to the point that the change was not forecastable or expected by those paying (or receiving) any 'windfall' gain or loss.

If left unresolved, the impact of this defect is likely to become worse over time since, as part of the Holistic Network Design⁵ (HND,) there is likely to be a number of further Onshore HVDC circuits being built (each with a Specific Expansion Factor), causing higher uncertainty and investment risk for Generators who's local, or wider charges are affected. This modification will provide better certainty and removing ambiguity over the costs of these circuits over their lifetime, which will reduce investor risk and correspondingly reduce cost to customers.

Ambiguous if Baseline CUSC required recalculating Specific Expansion Factors

When reading the CUSC it is ambiguous regarding whether the Baseline does actually require NESO to recalculate the 'Annuity Factor' or the 'Overhead Factor' relating to SEF at the start of each Price Control.

For example:

"14.15.76 Calculation of HVDC circuit expansion factors, and AC sub-sea circuit expansion factors, shall include only: the cost of the converters (where applicable); and the cost of the cable; and a percentage of the total overhead project costs, defined as the combined costs of the cables and converters (as relevant) divided by the total capital cost of the project minus a percentage of the Cost Adjustment, defined as the combined costs of the cables, converters (as relevant) and appropriate overhead costs, as calculated above, all divided by the total capital cost of the project."

In the Baseline CUSC legal text, there is no explicit indication that the "appropriate overhead costs" for SEF should be changed after it has been initially calculated.

⁵ The latest relevant update was published by NESO on 3 November 2025: [Offshore Coordination | National Energy System Operator](#)

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"14.15.79A Notwithstanding Paragraph 14.15.69, the previous paragraphs and following the same intent as adopted at Paragraph 14.15.69A, from the first year of (and during) the T2 price control (which starts on 1st April 2021), until a further change is made, the Onshore expansion factors (being the Onshore local circuit factors and the Onshore wider circuit expansion factors, except those used for HVDC circuits and sub-sea AC cable) will be the value used in the 2020/21 Financial Year. For clarity HVDC circuits and sub-sea AC cable will continue to be calculated in accordance with 14.15.75.

The wording in 14.15.75 indicates that the SEFs should not be updated given it explicitly indicates use of actual project costs.

"14.15.75 AC sub-sea cable and HVDC circuit expansion factors are calculated on a case by case basis using actual project costs (Specific Circuit Expansion Factors) net of any Cost Adjustments."

Align solution with CMP353 to remove unjustified discrimination

If it is the NESO view that the Baseline CUSC does require them to recalculate Specific Expansion Factors, but not recalculate Onshore Circuit Expansion Factors, or the Expansion Constant, then that represents an unjustified discrimination. In this case, the treatment of Specific Expansion Factors, regarding recalculation at each Price Control, should be aligned with all other expansion factors.

This is consistent with Ofgem's rationale for approving CMP301⁶ which was raised and approved, so as to align the treatment of expansion factors of HVDC circuits with other Onshore Circuits. As per Ofgem's rationale for their decision to approve the CMP301:

"We agree with NGESO, CUSC Panel and consultation respondents that CMP301 will remove existing ambiguity relating to the treatment of AC subsea and HVDC circuits. It will clarify that such circuits should be treated

⁶ CMP301: Clarification on the treatment of project costs associated with HVDC and subsea circuits | National Energy System Operator

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on a consistent basis with other onshore circuits rather than offshore circuits, facilitating better the efficiency of the CUSC.”⁷ (emphasis added)

The Onshore Circuits Expansion Factors are currently on hold (‘frozen’) following the decision⁸ to approve CMP353 (*“Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st April 2021”*).

As Ofgem noted, in the decision letter⁹,

“the CUSC Panel unanimously considered that CMP353 would better facilitate the CUSC charging objectives and the Panel therefore recommended its approval” and that “The majority of respondents to the Code Administrator Consultation were supportive of implementation and stated that they believe the scale of the change to TNUoS tariffs was unexpected.”

It is now clear, with the latest update from NESO on TNUoS tariffs for 2026/27 that NESO views that there is a misalignment between Onshore Circuits Expansion Factors and the Specific Expansion Factors when it comes to unexpected and unpredictable raises in the respective factors.

However, as we are now seeing, the same (CMP353) type defect is now expected to be occurring (from the 2026/27 Financial Year) with respect to the Specific Expansion Factors.

Proposed solution is the same approach as CMP353

It has already been clearly outlined that this Modification proposal has a number of similarities with CMP353 so we feel that is also useful to compare the two proposal forms.

For CMP353 the Proposal said the following.

“Due to the lower number of built projects in RIIO-1 and the relatively high value of these in comparison to the projects in previous price controls, the EC [Expansion Constant] and EFs [Expansion Factors] have increased

⁷ Ofgem decision CMP301: [CMP312 decision letter](#) [hyperlink text from NESO incorrectly shows “CMP312”]

⁸ [CUSC accept decision letter template](#)

⁹ See page 2 of the CMP353 decision letter.

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significantly. The RII0-1 uplifted EC value used in the calculation of the 2020/21 tariffs was set at £14.93/MW/km, whereas based on the current data received from [National Grid Electricity Transmission] NGET and [Scottish Power Transmission] SPT, the RII0-2 EC value has been calculated at £27.38/MW/km for 2021/22, an increase of 83%. This data also feeds into the process that sets the EFs used to calculate the costs of other assets within the model. Although the overall amount of revenue collected from Users will remain the same, the locational element of the charges will be significantly affected. This will present a cost shock to certain parties with little advance notice of the effects it will have on them." (emphasis added)

In terms of this CMP463 modification proposal, the Specific Expansion Factors have been identified, by NESO, to be increasing substantially. As a result, the local tariffs using these SEFs will increase by 41% – or, to quote CMP353 above:

"The locational element of the charges will be significantly affected. This will present a cost shock to certain parties with little advance notice of the effects it will have on them."

We note that the CMP353 Proposal Form; in the "What's the Issue" section; outlined that:

"Discussions with Ofgem and the industry suggest that it is not certain that this effect on the locational signal is appropriate and that more time to analyse it and determine whether to implement it would be beneficial. Therefore, the ESO considers that continuing with the current EC value whilst allowing further work to be done to review and potentially change it if necessary in RII0-2 is an appropriate way forward. For clarity, this modification is not looking to change the intent of the EC but to provide a temporary solution until an appropriate EC for RII0-2 can be calculated and applied." [emphasis added]

The Proposer has added emphasis, to the above quote, as the underlined text from the CMP353 proposal is directly relevant here to this CMP463 modification proposal – hence our proposal to use the same approach as CMP353, but updated to refer to the SEF and RII0-T3 as per below:

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"continuing with the current EC [Specific Expansion Factor] values whilst allowing further work to be done to review and potentially change them if necessary in RIIO-[T3] is an appropriate way forward".

"For clarity, this [CMP463] modification is not looking to change the intent of the EC [Specific Expansion Factor] but to provide a temporary solution until appropriate EC [Specific Expansion Factor] values for RIIO-[T3] can be calculated and applied"

Why change?

TNUoS costs act as an investment signal. When those signals cannot be forecasted or predicted, as well as acted upon, then they become less useful as signal.

It was not expected or envisaged by stakeholders that SEFs would experience an increase of over 40% in a single Price Control.

We agree with Ofgem's own words in their decision letter to approve CMP353:

"Such unexpected changes in charges are, in our view, detrimental to competition. Many generators and Suppliers use the published TNUoS forecasts for business planning purposes. For Generators, this can include decisions on repowering or plant closure, as well as future investments. We believe that when significant changes occur, without sufficient notice, and with varying distributional effects, there could be harm to competition because TNUoS-liable parties cannot respond to such changes in a timely manner."

The Proposer would add, in respect of the 'detrimental to competition' point that Ofgem makes, that there is also a further negative impact due to a double whammy – not just higher and unforecastable costs for some Generators (as Ofgem describes) but also due to windfall benefits for others.

Neither the input variables, or calculation methodology for the Specific Expansion Factors is available in the public domain, and the crucial inputs from the Price Control are not determined until late in the last charge setting year (ahead of the

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first charging year to which they then apply¹⁰) and are not reasonably forecastable by users. Users are therefore reliant on NESO's TNUoS forecasts.

With these assets having already been built there was a reasonable and legitimate expectation that the Specific Expansion Factor would remain stable from then onwards.

Ofgem have recently stated that there will be a fundamental review of TNUoS, with the potential to fix TNUoS, and split new Users from existing Users. This was echoed in the 23rd October 2025 CMP444 decision¹¹, in the following terms¹² that are directly relevant here to this CMP463 modification proposal:

"We do recognise that unpredictability in network charging arrangements could present investment challenges and making network charges more predictable, so they provide more effective signals to investors at the point of making investment decisions will be a key priority as part of TNUoS reform".

This Ofgem led review may take some time, in the meantime the indicated 41% increase in 'Specific Expansion Factors' charges would cause unhelpful and detrimental volatility in charges for Generators who are not able to usefully respond. If left unresolved, it would also increase the perception of TNUoS risk for Generators who are still to make investment decisions, such as bidding into future CfD allocation rounds, which would tend to increase costs to customers.

Best regulatory practice and a desire to avoid undue discrimination mean it would be reasonable and rationale to align the approach followed with the Specific Expansion Factors to be consistent with those already used for calculating the Expansion Constant and Non-Specific Expansion Factors; which, it is important to recognise, are currently on hold ('frozen').

To put this into context, over 99% of the GB transmission circuits used within the TNUoS setting model are currently on hold in terms of avoiding causing price shocks caused by the Expansion Constant or relevant Expansion Factors due to CMP353. Therefore, it could well be argued that to continue to treat the less than 1% differently in this case amounts to undue discrimination.

¹⁰ Which in the case of RIIO-T3 will be 2026/27.

¹¹ <https://www.neso.energy/document/370491/download>

¹² From page 2 of that decision document.

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Generators with a relatively large incremental MW flow over circuits with a Specific Expansion Factor face a disproportionately large, unforecastable and unpredictable tariff increase, whereas other Generators do not, purely down to the misalignment in the methodology (as set out in Section 14 of the CUSC)..

The Proposer is aware that the Authority has concerns regarding raising urgent modifications at this time ahead of the future change to the TNUoS regime (as recently outlined). The Proposer appreciates the desire to avoid urgent modifications that may increase volatility, however, this modification should be progressed urgently because it will reduce volatility and therefore its approval would better align with Ofgem's concerns, in respect of TNUoS.

The Proposer believes that it is crucial that this CMP463 modification proposal is raised now to align the approach within the Section 14 methodology resulting in more stable tariffs during this period of 'pause' whilst the longer term Ofgem led review, of TNUoS, is undertaken, preventing discrimination ahead of any major change to the TNUoS regime. The Proposer do not see this as a fundamental Section 14 methodology change or setting a direction of travel for the future but purely and simply an alignment of treatment whilst that review proceeds.

What is the Proposer's solution?

Similar to CMP353; which held that the Non-Specific Expansion Factors be held at the rate prior to the Price Control (RIIO-T2 at the time of CMP353, now RIIO-T3 in this case of this CMP463 modification); this CMP463 modification proposes consistent treatment for the Specific Expansion Factors until such time as the new baseline is replaced by a different methodology (as we see with CMP315¹³/375¹⁴). The existing Specific Expansion Factors; already calculated and in use; will be held at the same rates as for the Financial Year 2025/26 and will remain at those rates (for subsequent Financial Years, starting with 2026/27) until any further changes arising from Ofgem's TNUoS review is made to the Section 14 methodology.

In the meantime, there may be the need to calculate new Specific Expansion Factors for new circuits that do not already have a calculated SEF. These will be initially calculated,

¹³ [CMP315: TNUoS: Review of the expansion constant and the elements of the transmission system charged for | National Energy System Operator](#)

¹⁴ [CMP375: Enduring Expansion Constant & Expansion Factor Review | National Energy System Operator](#)

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in the first relevant Financial Year, using the latest data applicable to that individual circuit, but will remain fixed (for subsequent Financial Years) as well (once calculated) until further change arising from Ofgem's TNUoS review is made to the Section 14 methodology.

Draft legal text

Specific Expansion Factors in RIIO-T3

14.15.76 a) Specific Circuit Expansion Factors already calculated as of 1st April 2025 will be of the value used in the 2025/26 Financial Year for 2026/27 and subsequent Financial Years until a further change is made. For clarity, the Specific Expansion Factors calculated and applied after 1st April 2025 will remain fixed once calculated, until a further change is made.

What is the impact of this change?

Impact on charges

Sensitivity analysis, using NESO published Tariff and Transport model for 2026/27, shows the following impacts caused by the increase in SEF on an illustrative 45% Annual Load Factor ALF windfarm, which would be avoided by implementing this CMP463 modification:

- The NESO forecast for the Shetland Link local circuit charge for 2026/27 shows an increase from £63.10 per kW (NESO April 2025 tariff publication) to £89.60 per kW (NESO latest 5 year forecast). This is an increase by £26.50 per kW, equivalent to an increase of £6.72 per MWh for an illustrative 45% ALF windfarm. With a TEC of 443MW this change equates to an increase of £11.7m for one Generator for one charging year 2026/27.
- Scottish Wider TNUoS charge (including locational and Generator adjustment credit) – The increase in SEF caused an increase in TNUoS charge by between circa £2 per kW and £10 per kW depending on zone. This is equivalent to an increase by between circa £0.50 and £2.50 per MWh

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- Southern Wider TNUoS charge (including locational and Generator adjustment credit) – The increase in SEF caused a reduction in TNUoS charge by less than £1 per kW.

Regarding revenue collection, this analysis also showed if this CMP463 modification was implemented, it would result in a small reduction in net revenue collection from Generation locational charges, with a corresponding small reduction in the Generator adjustment credit by c£0.08 per kW. It will also result in a small reduction in demand locational charges by c£0.03 per kW, with a corresponding small increase in Demand residual.

Proposer's assessment against CUSC Charging Objectives	
Relevant Objective	Identified impact
(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;	<p>Positive</p> <p>To be effective, any price signals must enable Users to usefully respond at the point of key investment decisions.</p> <p>This modification avoids material and unpredicted changes in Generation TNUoS charges that would undermine competition where there is significant variance in the effects between Generators without objective justification, where Generators could not have reasonably foreseen such changes.</p>

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(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);	<p>Positive</p> <p>The wide range of charge variances resultant of the change to the Specific Expansion factor cannot be cost-reflective since the costs of those specific already built assets have not changed.</p> <p>The new Specific Expansion Factors do not represent the actual costs of the schemes to which those factors are applied.</p>
(f) That, so far as is consistent with sub-paragraphs (d) and (e), 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*;	<p>Neutral</p>
(g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	<p>Neutral</p> <p>Please provide your rationale</p>
(h) Promoting efficiency in the implementation and administration of the system charging methodology.	<p>Neutral</p> <p>Please provide your rationale</p>

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective (d) 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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When will this change take place?

Implementation date:

1st April 2026

Date decision required by

Whilst the cut-off date (30th September 2025) for changes to the CUSC Section 14 TNUoS tariff calculation methodology ahead of the new Financial Year (1st April 2026 onwards) has passed we note that there are a number of current modifications in flight where NESO have stated that Ofgem can implement past this (30th September 2025) cut-off date if required. As this CMP463 change is a simple one – applying a single (existing) variable which is already within the model (rather than, for example, introducing a new variable or removing an existing variable) it is our understanding that these changes can (and do) occur as between the draft TNUoS tariffs being published pre-Christmas (2025) and the publication of the final tariffs by the end of January (2026).

Implementation approach

None

Proposer's justification for governance route

Governance route: Urgent modification to proceed under a timeline agreed by the Authority (with an Authority Decision)

Given the straightforward and simple nature of the solution for this CMP463 modification the Proposer requests that this modification progresses directly to Code Administrator Consultation.

Justification for Urgency

The justification for urgency is that this modification meets the Ofgem urgency because it is:

"...linked to an imminent issue, or a current issue that if not urgently addressed may cause: a significant commercial impact on parties, consumers, or other stakeholder(s);"

It is the Proposer's view that if the existing defect is not rectified in Urgent timescales then this will have a significant commercial impact on Parties. The largest commercial

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impact is on any Generator that pays TNUoS and is connected in Shetland, while a large commercial impact is also experienced by other Generators in Scottish TNUoS charging zones.

The recently published NESO five year TNUoS forecast In September 2025 showed a substantial increase in a local circuit tariff (when compared to the previous forecast). For example, the Viking Windfarm connects to a circuit which is subject to a Specific Expansion Factor which will increase substantially (other Users will also be affected, to varying degrees, if the circuits listed in Table 1 above are relevant to their assets).

For convenience, the Proposer repeats here other impacts described in the earlier section of this proposal form. Sensitivity analysis using NESO published Tariff and Transport model for 2026/27 shows the following impacts caused by the increase in SEF on an illustrative 45% ALF windfarm:

- The NESO forecast for the Shetland Link local circuit charge for 2026/27 shows an increase from £63.10 per kW (NESO April 2025 tariff publication) to £89.60 per kW (NESO latest 5 year forecast). This is an increase by £26.50 per kW, equivalent to an increase of £6.72 per MWh for an illustrative 45% ALF windfarm. With a TEC of 443MW this change equates to an increase of £11.7m for one Generator for one charging year 2026/27.
- Scottish Wider TNUoS charge (including locational and Generator adjustment credit) – The increase in SEF caused an increase in TNUoS charge by between circa £2 and £10 per kW depending on zone. This is equivalent to an increase by between circa £0.50 and £2.50 per MWh
- Southern Wider TNUoS charge (including locational and Generator adjustment credit) –The increase in SEF caused a reduction in TNUoS charge by less than £1 per kW.

At the start of the last RIIO-T2 Price Control, Specific Expansion Factors were not changed.

The CUSC is ambiguous around whether inputs to each SEF calculation will be or should be changed at any subsequent Price Control. The information to be able to forecast the change in these factors falls out of Price Control negotiations between Ofgem and

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various network owners/operators (which Industry Parties, such as Generators, are not privy to).

This makes the large and substantial 41% increase both unexpected as well as unforecastable, and therefore this could not have been realistically taken into account in any commercial decisions, by Generators. The late notice of the NESO forecasted 2026/27 SEF will have an immediate commercial impact, therefore justifying Urgency as per the Ofgem published Urgency Criteria.

Justification for progressing directly to Code Administrator Consultation

The Proposer requests that this CMP463 modification progress directly to Code Administrator Consultation.

The defect of this modification is the same principle as CMP353 and the solution is also the same approach as CMP353, which Ofgem has approved.

It is simple and quick to implement, because:

- (i) it does not change the methodology for calculating or applying TNUoS tariffs;
- (ii) it does not require any new variables, or the recalculation of any input variables, since it uses the existing value of SEFs; and
- (iii) it does not require any changes to NESO systems.

There is no necessity for WACMs, because the Proposal will simply implement consistent treatment for Specific Expansion Factors as already put in place, by CMP535, for Onshore Circuit Expansion Factors. By contrast, any theoretical WACM alternative would necessarily result in treating Specific Expansion Factors differently from Onshore Expansion Factors, so would fail to resolve the undue discrimination (of the difference in treatment between the two types) and could, therefore, be considered illegal.

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Interactions

☐ CUSC ☐ BSC ☐ STC ☐ SQSS
☐ European Network ☐ EBR Article 18 ☐ Other ☐ Other
Codes T&Cs¹ modifications

This CMP463 modification is not dependent on, or conditional upon, any other CUSC modification.

Acronyms, key terms and reference material

Acronym / key term	Meaning
ALF	Annual Load Factor
BSC	Balancing and Settlement Code
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
EC	Expansion Constant
EF	Expansion Factor
GC	Grid Code
HND	Holistic Network Design
HVDC	High Voltage Direct Current
NESO	National Energy System Operator
RIIO T2	<i>(the second, five year) Revenue Incentives Innovation Outputs Transmission (Price Control period)</i>
RIIO T3	<i>(the third, five year) Revenue Incentives Innovation Outputs Transmission (Price Control period)</i>
SEF	Specific Expansion Factors
SQSS	Security and Quality of Supply Standards

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STC	System Operator Transmission Owner Code
T&Cs	Terms and Conditions
TNUoS	Transmission Network Use of System

Reference material

- [CMP353 documentation](#)

[CMP353 'Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st April 2021' | National Energy System Operator](#)

- [CMP353 Decision Letter](#)

[CUSC accept _ decision letter template](#)

Annexes

Annex	Information
Annex 1	CMP463 Legal Text