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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:	Chiamaka Nwajagu	
Company name:	Ørsted	
Email address:	chinw@orsted.com	
Phone number:	Click or tap here to enter text.	
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)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the 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

Public

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.*

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.

Public

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 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>Adopting a generation weighted reference node offers a more accurate reflection of generation charges compared to the current baseline. This approach ensures that charges accurately represent the incremental transmission system costs or benefits driven by a user's decisions.</p> <p>As stated by the proposer, practically, changes in demand are met with corresponding changes in generation, not by altering demand in other areas. Similarly, when there is a change in generation at a specific location, it typically results in an offsetting change in generation elsewhere, rather than affecting demand. The current demand weighted reference node fails to reflect this reality, which will be best represented by a generation weighted reference node.</p> <p>Furthermore, this modification would enhance competition among all generators by reducing average Generator Wider TNUoS charges, thereby minimising competitive distortions for transmission-connected generation. This approach is less distortive compared to other proposed modifications, such as the cap and floor as it adopts a more proportionate impact i.e. reduction in charges, amongst all generators.</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	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

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	implementation approach?	Click or tap here to enter text.
3	Do you have any other comments?	<p>CMP 423 should be implemented independently of CMP 444, as it offers a fairer redistribution of costs among network users while preserving cost reflectivity. Combining CMP 423 with CMP 444, particularly WACM 1, which was supported by a working group predominantly comprised of Northern GB generators or those with Northern GB assets, would lead to increased distortions among generators. This is evident from the significantly higher negative impact for generators in zones 15 to 27, where locational signals become flattened, resulting in a lack of cost reflectivity and greatly reduced incentives for generators in these areas.</p> <p>Implementing CMP 423 alone can deliver substantial savings to consumers. When considered alongside changes in the CfD auction framework, it could potentially lead to even greater consumer savings. This approach avoids compromising the cost reflectivity of charges or introducing the highly distortive and disproportionate amendments proposed in CMP 444.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)</p> <p><input checked="" type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>
5	Does the draft legal text satisfy the intent of the modification?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>
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?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

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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
8	Do you have any comments on the change in revenue collection proportions between generation and Demand?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Click or tap here to enter text.
9	Do you have any comments on the interactions between <u>CMP423</u> with other modifications, including <u>CMP432</u> , <u>CMP440</u> , <u>CMP442</u> and <u>CMP444</u> ?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>In relation to interactions with CMP444, as highlighted in the response to Question 3, CMP 423 should be implemented independently of CMP 444. CMP 423 promotes a more equitable redistribution of costs among network users while preserving cost reflectivity. However, integrating it with CMP 444, especially WACM 1, could lead to increased distortions among generators and a weakening of cost reflectivity.</p> <p>Implementing CMP 423 on its own can result in significant savings for consumers, while avoiding the compromise of cost reflectivity or the introduction of the highly distortive and disproportionate amendments proposed in CMP 444.</p> <p>It is essential to exercise caution and conduct thorough analysis when considering these modification interactions. The combined effect of these modifications could potentially impose undue burdens on some users and inadvertently disadvantage certain user groups.</p>
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>Further analysis is needed to assess the validity of this assumption both now and in the future. As the energy system transitions from being dominated by thermal generation with similar/uniform characteristics to integrating a diverse range of technologies and renewable energy sources, each with distinct load factors and characteristics, it is important that a change of generation is not considered to result in a simple like-for-like displacement of generation elsewhere. The load</p>

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		factors, unique characteristics, and locations of these energy sources could influence the practicality and appropriateness of this interdependency.
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