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Code Administrator 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 cust.team@neso.energy by **5pm** on **31 October 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 cust.team@neso.energy.

Respondent details	Please enter your details	
Respondent name:	Tony Diccico	
Company name:	ESB Generation & Trading	
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Phone number:	07874231861	
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:

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(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 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

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2020/1006.

For reference, (for consultation questions 5) 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;*

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- 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 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 Code Administrator Consultation questions

1	Please provide your assessment for the proposed solution against the Applicable Objectives against the current baseline?	Mark the Objectives which you believe the proposed solution better facilitates than the current baseline:	
		Original	<input checked="" type="checkbox"/> d <input checked="" type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input type="checkbox"/> None
		We believe that the proposed modification ("The Original") better facilitates CUSC Objectives d) ("That compliance with the use of system charging methodology facilitates effective competition...") and e) ("That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable... the costs incurred by transmission licensees..."). The reasons for this are stated below.	

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	<p>We believe that the Transmission Network Use of System (TNUoS) Transport model, which currently calculates incremental flows by bringing total generation and Demand into balance by a pro-rata increase in all Demand using a ‘Demand-weighted reference node’, does not appropriately reflect how the system would respond to changes in User decisions. This distorts the relative locational price signals produced by the methodology.</p> <p>Therefore, the Baseline approach 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.</p> <p>We agree with the Proposer that the Baseline, using a Demand-weighted reference node, also creates an issue for effective competition. This is because the existing methodology is expected to result in collecting an increasing total TNUoS cost from generation wider locational charges, which would further worsen the competitive disadvantage of Generators operating in Great Britain (GB), compared with Generators in other markets. Switching from a Demand-weighted to a Generation-weighted reference node would help to limit this competitive disadvantage. Therefore, the Original Proposal would better facilitate CUSC Objective d).</p>
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		<p>We agree with the Proposer that the Original Proposal more appropriately and sustainably addresses the long-underlying cause of investor certainty. We believe that by reducing the large values of northern GB TNUoS charges through changing to a Generation-weighted reference node, the current defect and variability of TNUoS will be reduced – this will offset the impact of the decision to reject CMP444, as it reduces the need for a cap and floor mechanism (as proposed through CMP444).</p> <p>Finally, in order to reflect a correct incremental cost, it is necessary for the TNUoS charging methodology to appropriately model the resulting impact on the system caused by a User decision. We believe that this proposal would lead to charges that better reflect the impact that Users of the transmission system at different locations would have on the Transmission Owner's costs, if they were to increase or decrease their use of the respective systems. Therefore, the Original Proposal would better facilitate CUSC Objective e).</p>
2	Do you have a preferred proposed solution?	<p><input checked="" type="checkbox"/>Original</p> <p><input type="checkbox"/>Baseline</p> <p><input type="checkbox"/>No preference</p> <p>We support the Original Proposal over the Baseline for the reasons stated above.</p>
3		<input checked="" type="checkbox"/> Yes

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	Do you support the proposed implementation approach?	<input type="checkbox"/> No
		We agree that the proposed implementation approach allows time to make the necessary changes to Section 14 of the CUSC and gives parties time to account for the resulting tariff impacts.
4	Do you have any other comments?	No
5	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
		Click or tap here to enter text.