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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:	Nina Brundage	
Company name:	Ocean Winds	
Email address:	Nina.brundage@oceanwinds.com	
Phone number:	+44 7768227297	
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

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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 shared</u> with the Panel or the industry for further consideration</i>)

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

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***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, (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;*
- 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.*

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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
		<p>Objective d: Positive impact</p> <p>The Original solution addresses significant distortions that disadvantage GB Generators compared to international competitors. An effect of the modification is that it would reduce average Generator Wider TNUoS charges to be more consistent with international markets. This change is intended to reduce competitive distortions for transmission connected and large distribution connected generators in GB, who pay TNUoS charges, compared to generators in international markets and small distribution connected generators in GB who do not pay TNUoS.</p> <p>Within the GB market, the Original Solution improves competition by reducing the occurrence of negative demand charges. By doing so, it enables a more effective allocation of risk between generators at</p>	

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	<p>different locations, which is influenced by changes in the tariff gradient. The current demand weighted reference node has created a situation in which most demand locations face negative charges that are floored at zero, resulting in a near-flat gradient of demand charges across GB. This provides very weak incentives for demand to locate near generation.</p> <p>Moving to a generation weighted reference node will help demand charges increase, making more zones having positive charges above the floor, reinstating the locational gradient that existed before recent charging reforms. Ultimately, this will help create better competition between demand at different locations by giving demand users stronger incentives to locate closer to areas with surplus generation.</p> <p>Objective e: Positive impact</p> <p>The proposed generation-weighted reference node improves the cost reflectivity of TNUoS charges by modelling how the electricity system responds to incremental flows driven by users' decisions. The current demand-weighted node assumes that when building new capacity, demand across the entire country increases proportionally to absorb the additional generation. This approach does not resemble reality. In practice, this is demonstrated through different mechanisms. For instance, when generators compete in CfD auctions, one generator winning a contract will tend to displace a different generator that did not. When generators close a facility or reduce output, other generators must increase their output to compensate. Demand does not adjust upward or downward in response to investment decisions.</p> <p>Additionally, the proposed solution accurately reflects that generation primarily displaces other generation, which tends to be located in areas where generation already exists rather than being weighted toward demand centres. This provides a fairer and more cost-reflective allocation of charges across different generation locations.</p>
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		A generation weighted-reference node is more cost reflective of the drivers of network investment according to the Security and Quality of Supply Standard (SQSS) and the National Electricity System Operator (NESO) network cost-benefit modelling.
2	Do you have a preferred proposed solution?	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Baseline <input type="checkbox"/> No preference
		<p>OW supports the Original Solution. We consider that CMP423 represents a material improvement in the cost-reflectivity of the TNUoS methodology and will enhance effective competition in the market. The current demand-weighted reference approach wrongly assumes that new generation leads to additional demand whereas, in reality, one generator simply replaces another. This distorts how network is represented, effectively smoothing out the north-south power flows that actually dominate the system when northern generation displaces southern generation. As a result, TNUoS charges are non-cost-reflective because they are based on a distorted view of the grid rather than the physical flow patterns that drive network usage.</p> <p>As the UK progresses toward delivering Clean Power by 2030 (CP30), undertaking long-term wholesale market reforms, and moving toward more strategic network and generation planning, it is critical that both projects approaching final investment decisions in the near-term and existing operational assets are provided with a stable and fair charging framework. Existing assets should not be unfairly penalised or advantaged by a TNUoS methodology that contains non-cost-reflective defects, and investors need confidence that near-term decisions will not be</p>

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		<p>distorted by volatile or unpredictable network charges while wider reforms are developed.</p> <p>Proposals that deliver clear improvements relative to the current baseline should be reviewed and implemented without delay. Broken locational and cost-reflective signals must not be allowed to persist during the transition. Timely action to provide near-term TNUoS certainty will support continued investment and operational confidence while longer-term reforms are developed through the Reformed National Market process.</p>
3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No N/A
4	Do you have any other comments?	N/A
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 N/A