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Code Administrator Consultation Response Proforma

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

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 **25 November 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:	Giulia Licocci	
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Phone number:	7477886848Click 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:

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(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

**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

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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.*

What is the EBR?

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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:		
		<table border="1"> <tr> <td>Original</td> <td> d) <input checked="" type="checkbox"/> e) <input checked="" type="checkbox"/> f) <input type="checkbox"/> g) <input type="checkbox"/> h) <input type="checkbox"/> <input type="checkbox"/>None </td> </tr> </table>	Original	d) <input checked="" type="checkbox"/> e) <input checked="" type="checkbox"/> f) <input type="checkbox"/> g) <input type="checkbox"/> h) <input type="checkbox"/> <input type="checkbox"/> None
		Original	d) <input checked="" type="checkbox"/> e) <input checked="" type="checkbox"/> f) <input type="checkbox"/> g) <input type="checkbox"/> h) <input type="checkbox"/> <input type="checkbox"/> None	
ACO D: Positive Impact <ul style="list-style-type: none"> Ofgem has been clear in the CMP444 and CMP432 decisions that no major charging interventions should be made ahead of the wider TNUoS review as part of the reformed national pricing reforms, because one-off or partial adjustments to the methodology risk destabilising the regime in the interim. Re-pricing SEFs now - using new financial inputs for assets that are already commissioned - would be exactly the kind of isolated change Ofgem warned against and would undermine 				

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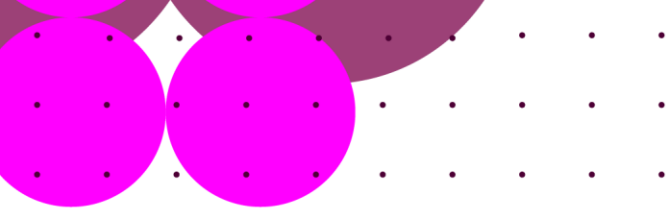
		<p>competition by exposing only a subset of projects to unpredictable charges that cannot be forecast or mitigated during investment or bidding.</p> <ul style="list-style-type: none"> • Ofgem's CMP353 decision is directly analogous. Ofgem concluded that "such unexpected changes in charges are, in our view, detrimental to competition" because parties that are liable for TNUoS rely on published forecasts for investment decisions, and cannot respond in a timely manner to sudden, unexpected locational changes. CMP463 addresses precisely the same defect for SEFs that CMP353 addressed for the Expansion Constant and non-specific onshore Expansion Factors. • Moreover, over 99% of GB transmission circuits are already effectively "frozen" under CMP353. Enabling the SEF recalculation for a small number of circuits, while the other 99% are protected from price-control driven changes, creates undue differential treatment rather than improved cost reflectivity. CMP463 removes this misalignment. • The current higher SEFs would create a "lottery", with only a small group of users facing large, unpredictable increases within their local circuit tariffs while others receive windfalls without any technical reason. This is not a real cost signal but an ex post redistribution that developers cannot forecast or respond to.
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		<p>ACO E: Positive Impact</p> <ul style="list-style-type: none"> By design, SEFs are based on actual project costs for specific HVDC and AC subsea circuits. Those project costs do not change once an asset is commissioned. There is therefore a reasonable expectation that the SEF associated with built infrastructure will remain broadly stable over its life. Enabling the recalculation for the next price control period breaks the link with the actual capital cost of those assets, and produces values that no longer represent the cost of those circuits. As the proposal notes, “the new Specific Expansion Factors do not represent the actual costs of the schemes to which those factors are applied.” There is also no clear requirement in the CUSC that SEFs were ever meant to be reopened after construction because they were designed to represent the cost of specific infrastructure, not to be periodically repriced through future price control mechanics. Applying new financial inputs to already delivered assets goes beyond the original purpose of SEFs and creates volatility without a supporting methodology rationale
2	Do you support the proposed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	implementation approach?	Yes – we fully support the proposed approach and timetable, including urgent treatment. There is a clear precedent under CMP353, where Ofgem accepted that changes to Section 14 could be implemented after the usual 30 September cutoff date. CMP463 is exactly this type of change.
3	Do you have any other comments?	<ul style="list-style-type: none"> TNUoS is a key input to business cases for investment. If a 41% increase in a key charging component can materialise at the start of a price control for already built assets, and if this is repeated as more HVDC circuits are commissioned under the HND, investors will rationally price in a higher TNUoS risk premium. This will tend to raise CfD strike prices and ultimately increase costs to consumers. CMP463 is needed to ensure the Regulator sends a clear signal that once built, assets will not be subject to unforecastable changes in SEF values. That improves confidence in TNUoS forecasts and reduces the risk premium.
4	Do you agree with the Proposer'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.



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