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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:	Binoy Dharsi	
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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 checked="" 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 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 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

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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.*

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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 Workgroup Consultation questions

1	Do you believe that the Original Proposal better facilitates the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe the Original solution better facilitates than the current baseline:	
		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
		<p>Yes, the original proposal better facilitates CUSC Objectives d), e) and f) as outlined below.</p> <p>This proposal improves the international competitiveness of GB generators versus generators in other markets who do not face similar levels of TNUoS charges and levels up the comparative advantage against small distribution connected generators which is a positive outcome.</p>	

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		<p>After Project Transmit, the Reference Node began to play a more prominent role in determining the recovery of charges from both generators and demand Users. The choice of the Reference Node now impacts the absolute and relative charges paid by demand customers.</p> <p>The transfer of revenue from generators to demand customers is placed on the locational component of the demand tariff, not the standing charge. Demand users are thereby sent a signal that they can react to.</p> <p>Generation and demand have historically had an equal and opposite relationship. The existing charging arrangements has a distortion that floors demand tariffs to zero, this proposal helps towards resolving this issue.</p> <p>This proposal also reduces the magnitude of the Generation Adjustment Credit which can reduce distortions across generation and demand across different voltages, co-located arrangements, and behind customer meters.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We agree with the implementation approach identified by the proposer and the workgroup</p>
3	Do you have any other comments?	<p>Click or tap here to enter text.</p>
4	Do you wish to raise a Workgroup	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)</p>

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	Consultation Alternative Request for the Workgroup to consider?	<input checked="" type="checkbox"/> No Click or tap here to enter text.
5	Does the draft legal text satisfy the intent of the modification?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No We believe that the proposed changes made to the legal text in section 14.15.27 satisfies the intention of the original solution.
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?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Specific Workgroup Consultation questions

7	Is it beneficial that the modification would largely reinstate the gradient of	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, it is beneficial for the gradient to be reinstated. The Targeted Charging Review SCR introduced a
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	locational Demand charges?	zero floor to demand charges to avoid any perceived “gaming” by Users. This however also blunted the siting signal for demand users.
8	Do you have any comments on the change in revenue collection proportions between generation and Demand?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Customers ultimately pay for TNUoS. Either directly via collection from their supplier or indirectly, where TNUoS is factored into subsidy schemes such as CfDs. The overwhelming recovery of TNUoS is through demand TNUoS. Moving more revenue into demand can be considered a more efficient way of recovering TNUoS.</p>
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>CMP444 interactions</p> <p>We have concerns that the input data used to set the cap and floor levels for CMP444 does not reflect the change in generation revenue collection associated with the solution identified in CMP423. Consequently, if both CMP423 and CMP444 are implemented the proposed CMP444 cap level may have not been set optimally. We also have concerns that the level at which the proposed CMP444 floor will have been set stops southern generators receiving the full credit benefits they would otherwise have been entitled to.</p>

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	<p>Despite Ofgem asking for more cross co-ordination between associated modifications, we are disappointed that this did not take place for these two modifications.</p> <p>CMP440</p> <p>We support CMP440 as it addresses the adverse demand siting signal introduced by the Targeted Charging Review SCR. CMP423 and CMP440 achieve similar outcomes to each other for demand customers. They both provide demand customers with an increased locational signal. Therefore, CMP423 does not conflict with CMP440.</p> <p>CMP442</p> <p>CMP442 intends to allow Users to lock in tariffs against the prevailing forecast provided by the NESO. The TNUoS Task Force identified several cost-reflective modifications to take forward. There is no credible reason why these cannot be determined as a package prior to a modification, such as CMP442, locks in TNUoS forecasts. This alleviates a degree of timing risk to Users in choosing whether to lock in tariffs.</p> <p>CMP432</p> <p>There is no direct interaction between CMP423 and CMP432. They both need to form part of a</p>
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		package of co-ordinated determinations so that developers and investors can have greater clarity on the prevailing investment signals to aid their decision making.
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>We accept that there can be limitations to where new generation can locate due to seabed lease locations, planning consents, etc. However, we do believe that new generation has the potential to displace generation in other locations.</p>