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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:	John Tindal	
Company name:	SSE	
Email address:	John.tindal@sse.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:

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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 checked="" type="checkbox"/> f <input checked="" type="checkbox"/> g <input type="checkbox"/> h <input type="checkbox"/> None
		<p>We stand by our arguments provided in our Workgroup consultation response. With rationale summarised below.</p> <p>D Effective Competition – Better for reasons including:</p> <ul style="list-style-type: none"> Firstly, better for international competition as it reduces the competitive disadvantage of GB Generators who pay expensive GB TNUoS charges (transmission connected and large 	

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		<p>distribution connected), compared with Generators in other countries and markets who do not pay such network charges.</p> <ul style="list-style-type: none"> • Secondly, better allocation of risk between generators at different locations that arises from changes in tariff gradient by reducing the disproportionate exposure to risk for northern generators where a multiplier factor change has a disproportionately large absolute impact on charges, compared with southern generators, whose charges are close to £zero, who face relatively little absolute risk from multiplication factors changing their tariffs. • Thirdly, better demand competition by largely reinstating the locational price signal for demand by increasing demand locational charges so the “floor at £zero” defect practically applies for fewer zones. • Fourthly, better embedded generation competition by largely reinstating the locational gradient for small distribution connected generators (<100MW) since increasing the demand locational tariff will also increase the value of the Embedded Export Tariff (EET), so that the “floor at £zero” of the EET also practically applies in fewer zones. <p>E Cost Reflectivity – Better because it is more cost reflective of the drivers of network investment according to a cost benefit analysis (such as Network Options Assessment and new strategic planning approaches), SQSS and the way the energy system operates in practice, for reasons including:</p> <ul style="list-style-type: none"> • Firstly better reflects <u>increase</u> in generation: If a generator user incrementally increases its generation, it will tend to displace alternative
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		<p>generation either by substituting for an alternative new generator e.g. through competition in CfD, CM, or other contracted service, which will tend to be weighted towards areas of existing generation, or by a different generator closing, which can only happen at locations where generators are already located.</p> <ul style="list-style-type: none"> • Secondly better reflects <u>reduction</u> in generation: If a generator user incrementally reduces their generation (e.g. through closure), then alternative generation will respond by either an increase in alternative generation to fill the gap e.g. through merchant investment, additional CfD awards to meet decarbonisation targets, or CM capacity to meet capacity targets, or a different generator will not close that otherwise may have closed. • Thirdly, better reflects <u>increase</u> in demand: If a demand user incrementally increases their demand, then this will be met by an increase in generation e.g. through either merchant investment, or contracts such as CfD, or Capacity Mechanism to deliver policy targets. By contrast, there is not a determined capacity of demand, so a decision for a demand user to increase their demand does not cause a corresponding reduction in other demand, as the Baseline incorrectly assumes. • Fourthly, better reflects <u>reduction</u> in demand since if a demand user incrementally reduces their demand, then this will be met by a reduction in generation e.g. closure of existing generation, or reduced provision of new generation via routes including: merchant investment, or contracts such as CfD, or Capacity Mechanism to deliver policy targets. By
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		<p>contrast, there is not a determined capacity of demand, so a decision from a demand user to reduce their demand does not cause a corresponding increase in other demand, as the Baseline incorrectly assumes.</p> <p>F developments in transmission licensees' transmission businesses and ISOP business – Better, but to less of a degree than objectives D, E and G. There appears to be a growing difference in average locations of generation versus Demand. This means any detrimental impacts caused by using an inappropriate reference node is already large and likely to worsen over time. This adds to the importance of addressing this defect in a timely way.</p> <p>G Compliance with Electricity Regulation – Better meets the objective of UK retained law relating to European Regulation 838/2010 which relates to the Limiting Regulation of generator transmission charges to within €0 to €2.50. This modification will bring the average cost arising from the generator TNUoS Wider charges closer to being within the range of the limiting regulation on an underlying basis. This will reduce the need to make add-on corrections via the Generator Adjustment Credit to bring overall charges back within the range.</p> <p>H Efficiency in implementation and administration - Neutral</p>
2	Do you have a preferred proposed solution?	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Baseline

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		<input type="checkbox"/> No preference Click or tap here to enter text.
3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
4	Do you have any other comments?	Agree with the arguments in favour of the modification provided by the proposer in the modification report.
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.