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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:	Gregory Edwards	
Company name:	Centrica	
Email address:	Gregory.edwards@centrica.com	
Phone number:	07557619434	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input 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 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;*
- 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 type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input checked="" type="checkbox"/> None
		<p>We do not believe that the Original Proposal better facilitates the Applicable Objectives versus the current baseline. Our main concerns with the Proposal are:</p> <ol style="list-style-type: none"> 1. the Proposal, if implemented, creates the risk of conflicting locational (and operational) price signals. 2. The increase in the proportion of Transmission Use of System (TNUoS) revenue from Demand has not been justified.

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	<p>3. The assumption that Generation will scale to Demand does not align with other industry initiatives.</p> <p>The Proposal, if implemented, creates the risk of conflicting locational (and operational) price signals:</p> <p>It is suggested that the Proposal will have a positive impact because it will incentivise more efficient investment decisions for both generation and demand users (Proposal Form page 9). We do not believe that this has been demonstrated in the consultation.</p> <p>There are industry initiatives that are currently being progressed that either directly or indirectly will provide locational investment signals. These include the Strategic Spatial Energy Plan (SSEP), Centralised Strategic Network Plan, Review of Electricity Market Arrangements, Clean Power 2030 and Connections Reform. It has not been explained how the price signals that could be produced by the Proposal will complement the signals produced by the above initiatives. We think that there is a material risk that the price signals that could be produced by the Proposal could either be redundant or could conflict with other investment signals produced by e.g. the SSEP.</p> <p>The increase in the proportion of Transmission Use of System (TNUoS) revenue from Demand has not been justified:</p>
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		<p>An effect of the Proposal is the increase in the proportion of TNUoS revenue that is recovered from Demand Users. It has not been explained why this is a consequence that is necessary to address the zero-price floor issue. (We note that CMP440 that CMP440 redistributes TNUoS revenue across Demand Users, without changing the proportion of revenue collected from Demand Users.)</p> <p>It should not be considered beneficial that the modification increases the gradient of locational Demand charges until it is explained why increasing the proportion of revenue recovered from Demand Users to address the zero-price floor is necessary.</p> <p>The assumption that Generation will scale to Demand does not align with other industry initiatives:</p> <p>We do not believe that the industry can continue to rely on the assumption that Generation will scale to Demand.</p> <p>There are other with other industry initiatives that are based on the opposite assumption – that Demand will scale to Generation. For example, Hydrogen UK states:</p> <p>“Electrolytic hydrogen is an effective consumer of renewable power because electrolyzers can operate flexibly, especially PEM electrolyzers, ramping up</p>
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		<p>and down production in response to external signals. This is useful as renewables produce electricity intermittently, for example, solar power only generates electricity when the sun is shining. Therefore, electrolyzers can ramp up production in line with when renewables are generating sufficient electricity".¹</p> <p>The optimal siting of other sources of demand in order to reduce constraints caused by excess electricity generation are also being considered.</p> <p>The optimal siting of other sources of demand in order to reduce constraints caused by excess electricity generation are also being considered.</p>
2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input checked="" type="checkbox"/> Baseline <input type="checkbox"/> No preference <div>Click or tap here to enter text.</div>
3	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <div>Click or tap here to enter text.</div>

¹ See page 8 of: <https://hydrogen-uk.org/wp-content/uploads/2023/09/HUK-Electrolytic-Hydrogen-Production-Report.pdf>.

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4	Do you have any other comments?	<p>Conflicting interactions with other modifications have not been resolved:</p> <p>We believe the interactions should be more carefully examined to avoid any unintended consequences. In principle, CMP442 and CMP444 are intended to blunt baseline price signals while the Proposal is not. The stated purpose of the Proposal is to make price signals more cost reflective. It is unclear to us whether the Proposal and CMP442 and CMP444 having the ‘opposite’ effect on baseline price signals is desirable.</p> <p>It has not been demonstrated that changing the nature of the reference node is the most appropriate way of addressing the zero-price floor issue:</p> <p>It has not been shown to be beneficial that the modification increases the gradient of locational Demand charges in the way that it does. CMP423 was not intended to address the gradient of locational Demand charges; any change in the gradient is an unintended consequence.</p> <p>To the extent that the gradient of locational Demand charges should be increased, CMP423</p>
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		<p>does not discuss why changing the reference node in the Transport and Tariff model is the most appropriate of increasing the gradient of locational Demand charges.</p> <p>It is claimed in the consultation that the Proposal complements CMP440 (Re-introduction of Demand TNUoS locational signals by removal of the zero-price floor). It is unclear to us whether this is a relevant consideration. It is stated in the consultation that the Proposal reduces both the number of negative tariff zones and the magnitude of negative charges for those that remain.</p> <p>The Proposal is not necessary for the operation of CMP440 if it is approved. In other words, the Proposal is redundant for the purpose of addressing the zero-price floor issue because it does not address the relevant defect. The fact that the Proposal does not address the relevant defect emphasises why the ways in which the zero-price floor issue can be addressed must be given full and proper consideration.</p>
5	Do you agree with the Workgroup's	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	Click or tap here to enter text.
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