Public

Final Modification Report

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

Overview: The Price Control from April 2026 has led to large, unexpected increases in Specific Onshore Expansion Factors. This modification seeks to hold those Specific Expansion Factors at 2025/26 levels, similar to the CMP353 approach, ahead of a larger more fundamental review of TNUoS.

Modification process & timetable

1. **Proposal Form**
   14 November 2025
2. **Code Administrator Consultation**
   21 November 2025 – 25 November 2025
3. **Draft Final Modification Report**
   04 December 2025
4. **Final Modification Report**
   12 December 2025
5. **Implementation**
   01 April 2026

Have 5 minutes? Read our Executive summary
Have 15 minutes? Read the full Final Modification Report
Have 30 minutes? Read the full Final Modification Report and Annexes.

Status summary: This report has been submitted to the Authority for them to decide whether this change should happen.

Panel recommendation: The Panel has recommended by majority that the Proposer's solution is implemented.

This modification is expected to have a: High impact Generators.

Governance route	Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)	
Who can I talk to about the change?	**Proposer:** Damian Clough Damian.Clough@sse.com	**Code Administrator** **Contact:** Catia Gomes Catia.gomes@neso.energy

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What is the issue?

The latest National Energy System Operator (NESO) forecast of Transmission Network Use of System (TNUoS) tariffs for 2026/27 indicated a large uplift of 41% in the Specific Expansion Factors (SEF), which NESO justified based on using new RIIO-T3 Price Control[1] financial treatments. This uplift would cause very large detrimental impacts to some Users and relatively large impacts on others in ways that Users could not have reasonably expected and cannot usefully respond to.

From reading the Baseline Connection and Use of System Code (CUSC), it is ambiguous and not clear that NESO should be recalculating the Specific Expansion Factors at all for RIIO-T3. If it is viewed that the CUSC does require this recalculation, then this represents an unjustified discrimination against Specific Expansion Factors which this modification would correct.

Regarding the applicable CUSC objectives, the justification[2] for this modification and design of the solution are both based on the same principle as CMP353[3], which Ofgem previously approved with the rationale that "*Such unexpected changes in charges are, in our view, detrimental to competition".*

How Specific Expansion Factors fit within the charging methodology

Generators and demand Users pay for the ongoing costs of the transmission network via TNUoS charges. These charges are a combination of cost-reflective forward-looking charges and residual charges. Cost-reflective TNUoS charges are designed to reflect the different costs of demand and generation at various locations on the GB transmission network, to incentivise the efficient use of the system. The expansion constant (EC) is an input to the TNUoS charging methodology. It reflects the annuitized £/MW/km cost of 400kV overhead line and acts as a multiplier to the 'nodal' TNUoS prices (the relative costs of adding 1MW of generation at each point on the transmission network, or 'node'). The expansion factors (EF) reflect the difference in cost of different types of circuits compared to 400kV overhead line; for example, Cable or 132kV Overhead line.

The Non-Specific Expansion Factors use a form of average cost for different types of network circuit and create a GB wide expansion factor for each particular type of circuits.

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[1] Price Controls are determined by Ofgem: Energy network price controls | Ofgem

[2] Which is detailed in the table below: briefly, positive for (d) and (e), neutral for (f), (g) and (h).

[3] CMP353 'Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st April 2021' | National Energy System Operator

By contrast, Specific Expansion Factors are calculated based on the actual cost of individual circuits and then for charging purposes, applied for each of those individual circuits separately. This is done when that individual circuit is, for example, an 'Onshore' undersea high voltage direct current, (HVDC) cable.

Network project costs do not change once a project has been built. The Specific Expansion Factors have remained stable throughout the latest RIIO-T2 Price Control. There is, accordingly, also an expectation that they will remain stable going forward.

Explaining impact of increase in Specific Expansion Factors

The latest updated forecast of TNUoS tariffs for 2026/27 produced by NESO on 10th September 2025 showed a substantial and crucially, unexpected and unpredictable, increase in the Specific Expansion Factors ahead of the next Financial Year (2026/27) due to inputs falling out of the next (RIIO-T3) Price Control starting in April 2026. These increases are entirely due to the 'Annuity Factor' and the 'Overhead Costs' and are still subject to further change. Table 1 shows the NESO forecast changes to the current, individually calculated, 'Specific Expansion Factors' as of this latest NESO TNUoS 5-year forecast.

Table 1

Network	TO Region	Bus 1	Bus 2	Link Type	Specific Expansion Factor: RIIO-T2	Specific Expansion Factor: RIIO-T3	Increase in SEF RIIO-T3 vs RIIO-T2
Western Bootstrap	SP	FLIB40	HUNE40	HVDC	4.66	6.55	41%
Caithness Moray bootstrap	SSE	BLHI20	SPIT20	HVDC	14.69	20.67	41%
Shetland Link	SSE	KERG20	BLHI20	Cable	8.7	12.24	41%
Western Isles	SSE	DOUN20	FINS20	Cable	16.26	22.88	41%
Eastern bootstrap	SP	BRNX4A	HAWP4A	HVDC	11.01	15.49	41%
Eastern bootstrap	SSE	PEHE40	DRAX40	HVDC	6.7	9.42	41%

The impact on Users varies for a number of reasons. If an affected circuit is charged to a Generator as a radial local circuit, then the impact for that Generator would be relatively

large because its local circuit tariff is calculated assuming all of its incremental generation flows down that affected circuit. This means those Users will see increases in their local circuit tariff of 41%.

When circuits are part of the wider system, although the specific expansion factors have increased by 41% this does not equate to a 41% increase in Wider Tariffs for those affected parties. A much larger number of Generators will be affected by changes in the Wider tariffs, but the impact on each individual Generator will be smaller as the increase in affected circuit cost is averaged across the Wider zonal charges.

The difference in treatment of the Expansion Factor for 'Non-Specific' compared to 'Specific' situations; as set out in the CUSC Section 14 (TNUoS tariff calculation) methodology; detrimentally affects competition. The majority of GB Users have seen historic increases (of the Expansion Factors relevant to them) being put on hold to allow for a thorough review (by Ofgem) over whether those increases are appropriate, whereas for a very small minority of Users they are now currently facing large increases (of the Expansion Factors relevant to them) for a similar defect (similar to that addressed by CMP353).

The actual Impact on a particular User is dependent on the location of the User's asset in relation to those circuits with Specific Expansion Factors. This therefore appears more like a 'lottery' as opposed to cost reflective charging.

It is unjustifiable for Users to benefit from an unexpected and unpredictable increase in Generator adjustment credit that would arise from Specific Expansion Factors rising by 41% for transmission assets which are already built and financed. It is highly likely that any such increase in revenue[4] would be a windfall gain to these Users as opposed to being either expected or forecasted by them.

It should be noted that changes to the Specific Expansion Constant which existed at the time, did not occur at the start of the last RIIO-T2 Price Control and the CUSC does not clearly and unambiguously stipulate that they must change at all; as highlighted in the discussion around the current legal text below. This further adds to the point that the change was not forecastable or expected by those paying (or receiving) any 'windfall' gain or loss.

[4] Arising from the change to the negative TNUoS tariff.

If left unresolved, the impact of this defect is likely to become worse over time since, as part of the Holistic Network Design[5] (HND,) there is likely to be a number of further Onshore HVDC circuits being built (each with a Specific Expansion Factor), causing higher uncertainty and investment risk for Generators who's local, or wider charges are affected. This modification will provide better certainty and removing ambiguity over the costs of these circuits over their lifetime, which will reduce investor risk and correspondingly reduce cost to customers.

Ambiguous if Baseline CUSC required recalculating Specific Expansion Factors

When reading the CUSC it is ambiguous regarding whether the Baseline does actually require NESO to recalculate the 'Annuity Factor' or the 'Overhead Factor' relating to SEF at the start of each Price Control.

For example:

> *"14.15.76 Calculation of HVDC circuit expansion factors, and AC sub-sea circuit expansion factors, shall include only: the cost of the converters (where applicable); and the cost of the cable; and a percentage of the total overhead project costs, defined as the combined costs of the cables and converters (as relevant) divided by the total capital cost of the project minus a percentage of the Cost Adjustment, defined as the combined costs of the cables, converters (as relevant) and appropriate overhead costs, as calculated above, all divided by the total capital cost of the project."*

In the Baseline CUSC legal text, there is no explicit indication that the "appropriate overhead costs" for SEF should be changed after it has been initially calculated.

> *"14.15.79A Notwithstanding Paragraph 14.15.69, the previous paragraphs and following the same intent as adopted at Paragraph 14.15.69A, from the first year of (and during) the T2 price control (which starts on 1st April 2021), until a further change is made, the Onshore expansion factors (being the Onshore local circuit factors and the Onshore wider circuit expansion factors, except those used for HVDC circuits and sub-sea AC cable) will be the value used in the 2020/21 Financial Year. For clarity HVDC circuits and sub-sea AC cable will continue to be calculated in accordance with 14.15.75.*

The wording in 14.15.75 indicates that the SEFs should not be updated given it explicitly indicates use of actual project costs.

[5] The latest relevant update was published by NESO on 3 November 2025: Offshore Coordination | National Energy System Operator

> *"14.15.75 AC sub-sea cable and HVDC circuit expansion factors are calculated on a case by case basis using actual project costs (Specific Circuit Expansion Factors) net of any Cost Adjustments."*

Align solution with CMP353 to remove unjustified discrimination

If it is the NESO view that the Baseline CUSC does require them to recalculate Specific Expansion Factors, but not recalculate Onshore Circuit Expansion Factors, or the Expansion Constant, then that represents an unjustified discrimination. In this case, the treatment of Specific Expansion Factors, regarding recalculation at each Price Control, should be aligned with all other expansion factors.

This is consistent with Ofgem's rationale for approving CMP301[6] which was raised and approved, so as to align the treatment of expansion factors of HVDC circuits with other Onshore Circuits. As per Ofgem's rationale for their decision to approve the CMP301:

> *"We agree with NGESO, CUSC Panel and consultation respondents that CMP301 will remove existing ambiguity relating to the treatment of AC subsea and HVDC circuits. It will clarify that such circuits should be treated on a consistent basis with other onshore circuits rather than offshore circuits, facilitating better the efficiency of the CUSC."*[7] (emphasis added)

The Onshore Circuits Expansion Factors are currently on hold ('frozen') following the decision[8] to approve CMP353 (*"Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st April 2021"*).

As Ofgem noted, in the decision letter[9],

> *"the CUSC Panel unanimously considered that CMP353 would better facilitate the CUSC charging objectives and the Panel therefore recommended its approval"* and that *"The majority of respondents to the Code Administrator Consultation were supportive of implementation and stated that they believe the scale of the change to TNUoS tariffs was unexpected."*

[6] CMP301: Clarification on the treatment of project costs associated with HVDC and subsea circuits | National Energy System Operator

[7] Ofgem decision CMP301: CMP312_decision_letter [hyperlink text from NESO incorrectly shows "CMP312"]

[8] CUSC accept_decision letter template.

[9] See page 2 of the CMP353 decision letter.

It is now clear, with the latest update from NESO on TNUoS tariffs for 2026/27 that NESO views that there is a misalignment between Onshore Circuits Expansion Factors and the Specific Expansion Factors when it comes to unexpected and unpredictable raises in the respective factors.

However, as we are now seeing, the same (CMP353) type defect is now expected to be occurring (from the 2026/27 Financial Year) with respect to the Specific Expansion Factors.

Proposed solution is the same approach as CMP353

It has already been clearly outlined that this Modification proposal has a number of similarities with CMP353 so we feel that is also useful to compare the two proposal forms.

For CMP353 the Proposal said the following.

> "*Due to the lower number of built projects in RIIO-1 and the relatively high value of these in comparison to the projects in previous price controls, the EC [Expansion Constant] and EFs [Expansion Factors] have increased significantly. The RIIO-1 uplifted EC value used in the calculation of the 2020/21 tariffs was set at £14.93/MW/km, whereas based on the current data received from [National Grid Electricity Transmission] NGET and [Scottish Power Transmission] SPT, the RIIO-2 EC value has been calculated at £27.38/MW/km for 2021/22, an increase of 83%. This data also feeds into the process that sets the EFs used to calculate the costs of other assets within the model. Although the overall amount of revenue collected from Users will remain the same, the locational element of the charges will be significantly affected. <u>This will present a cost shock to certain parties with little advance notice of the effects it will have on them</u>*." (emphasis added)

In terms of this CMP463 modification proposal, the Specific Expansion Factors have been identified, by NESO, to be increasing substantially. As a result, the local tariffs using these SEFs will increase by 41% - or, to quote CMP353 above:

> "*The locational element of the charges will be significantly affected. This will present a cost shock to certain parties with little advance notice of the effects it will have on them.*"

We note that the CMP353 Proposal Form; in the "*What's the Issue*" section; outlined that:

> "*Discussions with Ofgem and the industry suggest that <u>it is not certain that this effect on the locational signal is appropriate and that more time to analyse it and determine whether to implement it would be beneficial</u>. Therefore, the ESO*

> *considers that continuing with the current EC value whilst allowing further work to be done to review and potentially change it if necessary in RIIO-2 is an appropriate way forward. For clarity, this modification is not looking to change the intent of the EC but to provide a temporary solution until an appropriate EC for RIIO-2 can be calculated and applied*." [emphasis added]

The Proposer has added emphasis, to the above quote, as the underlined text from the CMP353 proposal is directly relevant here to this CMP463 modification proposal – hence our proposal to use the same approach as CMP353, but updated to refer to the SEF and RIIO-T3 as per below:

> *"continuing with the current EC [Specific Expansion Factor] values whilst allowing further work to be done to review and potentially change them if necessary in RIIO-[T3] is an appropriate way forward".*
>
> *"For clarity, this* [CMP463] *modification is not looking to change the intent of the EC [Specific Expansion Factor] but to provide a temporary solution until appropriate EC [Specific Expansion Factor] values for RIIO-[T3] can be calculated and applied"*

Why change?

TNUoS costs act as an investment signal. When those signals cannot be forecasted or predicted, as well as acted upon, then they become less useful as signal.

It was not expected or envisaged by stakeholders that SEFs would experience an increase of over 40% in a single Price Control.

We agree with Ofgem's own words in their decision letter to approve CMP353:

> *"Such unexpected changes in charges are, in our view, detrimental to competition. Many generators and Suppliers use the published TNUoS forecasts for business planning purposes. For Generators, this can include decisions on repowering or plant closure, as well as future investments. We believe that when significant changes occur, without sufficient notice, and with varying distributional effects, there could be harm to competition because TNUoS-liable parties cannot respond to such changes in a timely manner."*

The Proposer would add, in respect of the '*detrimental to competition*' point that Ofgem makes, that there is also a further negative impact due to a double whammy - not just higher and unforecastable costs for some Generators (as Ofgem describes) but also due to windfall benefits for others.

Neither the input variables, or calculation methodology for the Specific Expansion Factors is available in the public domain, and the crucial inputs from the Price Control are not determined until late in the last charge setting year (ahead of the first charging year to which they then apply[10]) and are not reasonably forecastable by users. Users are therefore reliant on NESO's TNUoS forecasts.

With these assets having already been built there was a reasonable and legitimate expectation that the Specific Expansion Factor would remain stable from then onwards.

Ofgem have recently stated that there will be a fundamental review of TNUoS, with the potential to fix TNUoS, and split new Users from existing Users. This was echoed in the 23rd October 2025 CMP444 decision[11], in the following terms[12] that are directly relevant here to this CMP463 modification proposal:

> "*We do recognise that unpredictability in network charging arrangements could present investment challenges and making network charges more predictable, so they provide more effective signals to investors at the point of making investment decisions will be a key priority as part of TNUoS reform*".

This Ofgem led review may take some time, in the meantime the indicated 41% increase in 'Specific Expansion Factors' charges would cause unhelpful and detrimental volatility in charges for Generators who are not able to usefully respond. If left unresolved, it would also increase the perception of TNUoS risk for Generators who are still to make investment decisions, such as bidding into future CfD allocation rounds, which would tend to increase costs to customers.

Best regulatory practice and a desire to avoid undue discrimination mean it would be reasonable and rationale to align the approach followed with the Specific Expansion Factors to be consistent with those already used for calculating the Expansion Constant and Non-Specific Expansion Factors; which, it is important to recognise, are currently on hold ('frozen').

To put this into context, over 99% of the GB transmission circuits used within the TNUoS setting model are currently on hold in terms of avoiding causing price shocks caused by the Expansion Constant or relevant Expansion Factors due to CMP353. Therefore, it could well be argued that to continue to treat the less than 1% differently in this case amounts to undue discrimination.

[10] Which in the case of RIIO-T3 will be 2026/27.
[11] https://www.neso.energy/document/370491/download
[12] From page 2 of that decision document.

Generators with a relatively large incremental MW flow over circuits with a Specific Expansion Factor face a disproportionately large, unforecastable and unpredictable tariff increase, whereas other Generators do not, purely down to the misalignment in the methodology (as set out in Section 14 of the CUSC).

The Proposer is aware that the Authority has concerns regarding raising urgent modifications at this time ahead of the future change to the TNUoS regime (as recently outlined). The Proposer appreciates the desire to avoid urgent modifications that may increase volatility, however, this modification should be progressed urgently because it will reduce volatility and therefore its approval would better align with Ofgem's concerns, in respect of TNUoS.

The Proposer believes that it is crucial that this CMP463 modification proposal is raised now to align the approach within the Section 14 methodology resulting in more stable tariffs during this period of 'pause' whilst the longer term Ofgem led review, of TNUoS, is undertaken, preventing discrimination ahead of any major change to the TNUoS regime. The Proposer do not see this as a fundamental Section 14 methodology change or setting a direction of travel for the future but purely and simply an alignment of treatment whilst that review proceeds.

What is the Proposer's solution?

Similar to CMP353; which held that the Non-Specific Expansion Factors be held at the rate prior to the Price Control (RIIO-T2 at the time of CMP353, now RIIO-T3 in this case of this CMP463 modification); this CMP463 modification proposes consistent treatment for the Specific Expansion Factors until such time as the new baseline is replaced by a different methodology (as we see with CMP315[13]/375[14]). The existing Specific Expansion Factors; already calculated and in use; will be held at the same rates as for the Financial Year 2025/26 and will remain at those rates (for subsequent Financial Years, starting with 2026/27) until any further changes arising from Ofgem's TNUoS review is made to the Section 14 methodology.

In the meantime, there may be the need to calculate new Specific Expansion Factors for new circuits that do not already have a calculated SEF. These will be initially calculated, in the first relevant Financial Year, using the latest data applicable to that individual circuit, but will remain fixed (for subsequent Financial Years) as well (once calculated)

[13] CMP315: TNUoS: Review of the expansion constant and the elements of the transmission system charged for | National Energy System Operator

[14] CMP375: Enduring Expansion Constant & Expansion Factor Review | National Energy System Operator

until further change arising from Ofgem's TNUoS review is made to the Section 14 methodology.

Legal text

> **Specific Expansion Factors in RIIO-T3**
>
> 14.15.76 a) Specific Circuit Expansion Factors already calculated as of 1st April 2025 will be of the value used in the 2025/26 Financial Year for 2026/27 and subsequent Financial Years until a further change is made. For clarity, the Specific Expansion Factors calculated and applied after 1st April 2025 will remain fixed once calculated, until a further change is made.

Legal text for this change can be found in **Annex 02.**

What is the impact of this change?

Impact on charges

Sensitivity analysis, using NESO published Tariff and Transport model for 2026/27, shows the following impacts caused by the increase in SEF on an illustrative 45% Annual Load Factor ALF windfarm, which would be avoided by implementing this CMP463 modification:

- The NESO forecast for the Shetland Link local circuit charge for 2026/27 shows an increase from £63.10 per kW (NESO April 2025 tariff publication) to £89.60 per kW (NESO latest 5 year forecast). This is an increase by £26.50 per kW, equivalent to an increase of £6.72 per MWh for an illustrative 45% ALF windfarm. With a TEC of 443MW this change equates to an increase of £11.7m for one Generator for one charging year 2026/27.

- Scottish Wider TNUoS charge (including locational and Generator adjustment credit) - The increase in SEF caused an increase in TNUoS charge by between circa £2 per kW and £10 per kW depending on zone. This is equivalent to an increase by between circa £0.50 and £2.50 per MWh

- Southern Wider TNUoS charge (including locational and Generator adjustment credit) - The increase in SEF caused a reduction in TNUoS charge by less than £1 per kW.

Regarding revenue collection, this analysis also showed if this CMP463 modification was implemented, it would result in a small reduction in net revenue collection from Generation locational charges, with a corresponding small reduction in the Generator adjustment credit by c£0.08 per kW. It will also result in a small reduction in demand locational charges by c£0.03 per kW, with a corresponding small increase in Demand residual.

Proposer's assessment against CUSC Charging Objectives	
Relevant Objective	**Identified impact**
(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;	**Positive** To be effective, any price signals must enable Users to usefully respond at the point of key investment decisions. This modification avoids material and unpredicted changes in Generation TNUoS charges that would undermine competition where there is significant variance in the effects between Generators without objective justification, where Generators could not have reasonably foreseen such changes.

(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);	**Positive** The wide range of charge variances resultant of the change to the Specific Expansion factor cannot be cost-reflective since the costs of those specific already built assets have not changed. The new Specific Expansion Factors do not represent the actual costs of the schemes to which those factors are applied.
(f) That, so far as is consistent with sub-paragraphs (d) and (e), 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*;	**Neutral**
(g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	**Neutral**
(h) Promoting efficiency in the implementation and administration of the system charging methodology.	**Neutral**

** See Electricity System Operator Licence*

***The Electricity Regulation referred to in objective (d) 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.*

Code Administrator Consultation Summary

The Code Administrator Consultation was issued on the 21 November closed on 25 November 2025 and received 8 non-confidential responses and 0 confidential responses. A summary of the responses can be found in the table below, and the full responses can be found in **Annex 03**.

Code Administrator Consultation summary	
Question	
Please provide your assessment for the proposed solution against the Applicable Objectives versus the current baseline?	7 out of 8 respondents believe that CMP463 Original proposal better facilitates Applicable Objectives (d) and (e). One respondent believes that CMP463 Original proposal also better facilitates Applicable Objective (f). One respondent disagrees that the CMP463 Original proposal would better facilitate any of the Applicable CUSC Objectives.
Do you support the proposed implementation approach?	Seven respondents support the proposed implementation approach. One respondent did not support the implementation approach.
Do you have any other comments?	Further comments to the CMP463 Code Administrator Consultation from respondents can be found in the summary table in **Annex 04.**
Legal text issues raised in the consultation	
No legal text issues were raised	
EBR issues raised in the consultation	
No EBR issues were raised	

Panel Recommendation vote

The Panel met on the 12 December 2025 to carry on their recommendation vote.

They assessed whether a change should be made to the CUSC by assessing the proposed change against the Applicable Objectives.

Panel Member: **Andrew Enzor, Users' Panel Member**

	Better facilitates AO (d)?	Better facilitates AO (e)?	Better facilitates AO (f)?	Better facilitates AO (g)?	Better facilitates AO (h)?	Overall (Y/N)
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes

Voting Statement
C-CO(d) is significantly better facilitated. Without CMP463, there would be a significant change in TNUoS tariffs for some users which they could not reasonably predict. That would be detrimental to TNUoS facilitating competition, which is reliant on TNUoS being predictable by a well-informed party. C-CO(e) is slightly better facilitated. Assuming that the methodology for calculating Specific Expansion Factors results in an outcome which reflects the costs users impose on the system from using that circuit, defaulting to older data would, in theory, be less cost reflective. But I consider CMP463 more cost-reflective for two reasons. Firstly - the change in expansion factors for assets which are built and operational is very material. The cost of constructing the assets have clearly not changed year on year (they are operational), hence the big swing is hard to justify. This calls into question whether the original method is in fact cost reflective, and reinforces the need for a broader review. Secondly - it is internally inconsistent to update the Specific Expansion Factors while the non-specific Expansion Factors are held constant at previous year levels. CMP463 bring internal consistency to the calculation of TNUoS charges, which is likely to be more cost-reflective for all users than an approach which differs between different users. C-CO(f), (g) and (h) - no impact.

Panel Member: **Andy Pace, Consumers' Panel Member**

	Better facilitates AO (d)?	Better facilitates AO (e)?	Better facilitates AO (f)?	Better facilitates AO (g)?	Better facilitates AO (h)?	Overall (Y/N)
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes

Voting Statement
This mod proposes to freeze the specific onshore expansion factors at current levels. This avoids a potential large step change at a time when TNUoS is being reviewed. We do not believe that a large step change, particularly one that may need to be undone following the review can be considered as either improving cost reflectivity or beneficial to competition. We therefore support this mod and assess it as better meeting relevant objective (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, and relevant objective (f) 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 C26 requirements of a connect and manage connection)

Panel Member: **Binoy Dharsi, Users' Panel Member**

	Better facilitates AO (d)?	Better facilitates AO (e)?	Better facilitates AO (f)?	Better facilitates AO (g)?	Better facilitates AO (h)?	Overall (Y/N)
Original	Yes	No	Neutral	Neutral	Neutral	Yes

Voting Statement
This modification has to carefully balance maintaining cost reflective charges which would promote effective competition, against unpredictable changes to TNUoS at a scale that may not have been reasonably predicted by all impacted Users. In

assessing the decision against the Applicable CUSC Objectives Users you have to take account the ability of developers being able to make reasonable assumptions on the Specific Expansion Constant ahead of the new price control, effective from 1st April 2026. From the information within the report and the discussions at the workgroup it is believed that whilst developers could have tried to estimate changes towards the direction of change, for example using trends and step changes from previous price controls, the actual magnitude for some Users may not have been feasible given the information available.

There is significant concerns however that this modification, along with others, may temporarily blunt cost reflective signals to market participants. A resolution to this would need to be developed with urgency stop this situation exacerbating.

Applicable CUSC Objective d). The assessment made is that the original solution would be positive against the baseline. This is with the caveat of an enduring solution being put in place at speed.

Applicable CUSC Objective e). The assessment made is that the original solution would be negative against the baseline. The original solution does not reflect the true cost imposed by the Transmission Licensee.

Applicable CUSC Objective f). Neutral

Applicable CUSC Objective g). Neutral

Applicable CUSC Objective h). Neutral. Against baseline this modification will require presumably some additional work to enable it to comply to tariffs in time for April 2026. This is likely to be minor. If the changes were to be made mid or post the deadline for April 2026 then this proposal would be negative against the baseline.

Panel Member: **Camille Gilsenan, NESO Panel Member**

	Better facilitates AO (d)?	Better facilitates AO (e)?	Better facilitates AO (f)?	Better facilitates AO (g)?	Better facilitates AO (h)?	Overall (Y/N)
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
Voting Statement						

NESO believes that the proposed solution better facilitates objectives d) and e) and is neutral on objectives f), g) and h).

NESO must publish final TNUoS tariffs by the end of January 2026, but that is dependent on a decision on this modification. NESO's support for this modification is conditional on the timeline being met and Ofgem deciding an outcome by Jan 13th 2026. Missing that deadline will significantly risk the delivery of the TNUoS tariffs.

ACO (d) - The RIIO-T3 price control determinations change the specific onshore expansion factors, effective from 1 April 2026. The impact of the draft determinations only became known to industry in the 5-year view of TNUoS tariffs published by NESO at the end of August 2025 (the impact of the final determinations on TNUoS tariffs has not yet been published at the time of this vote). NESO believes that the lack of forward notice of this change did not allow impacted parties to effectively forecast and manage the impact of the change. NESO believes that this will impact competition between generators as it exposes the impacted generators to costs that they did not directly generate and realistically could not anticipate, forecast or easily manage.

ACO (e) - The specific onshore expansion factors are based as a function of actual project costs. Other than to accommodate inflation, it is not unreasonable to expect these to remain stable. That this has not happened suggests these costs are not cost reflective as intended.

Panel Member: **Garth Graham, Users' Panel Member**

	Better facilitates AO (d)?	Better facilitates AO (e)?	Better facilitates AO (f)?	Better facilitates AO (g)?	Better facilitates AO (h)?	Overall (Y/N)
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes

Voting Statement
I believe that this proposal does better facilitate Applicable Objectives (d) and (e) whilst being neutral in terms of (f), (g) and (h). The two relevant objectives, in this case, concern firstly whether the charges are cost reflective (as far as is reasonably practicable) and secondly, facilitating effective competition.

In respect of charges, as the NESO's Code Administrator Consultation response highlights "The specific onshore expansion factors are based as a function of actual project costs. Other than to accommodate inflation, it is not unreasonable to expect these to remain stable. That this has not happened suggests these costs are not cost reflective as intended."

This supports the case made, by the Proposer, (within the CMP463 proposal) that the baseline charges, in respect of this element, are not cost reflective. By addressing this defect, CMP463 will better facilitate a use of system charging methodology which results in charges that are more cost reflective (than the baseline).

As such, having more cost reflective charges will ensure that the use of system charging methodology facilitates effective competition.

In this regard I am mindful that with respect to this element of charges, that because of CMP353 this has been 'frozen' for the vast majority of generators in GB. However, for a small number of generators (who are seeking to operate in a competitive market) no such 'freezing' of this charging element exists.

As Ocean Wind Code Administrator Consultation response highlights:

"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."

In my view, this proposal will ensure a level (competitive) playing field with respect to the element of charges that CMP463 is (and CMP353 was) concerned with. This, accordingly, will better facilitate effective competition in the generation and supply of electricity.

Accordingly, this proposal is better overall and better than Baseline."

Panel Member: **Joe Colebrook, Users' Panel Member**

	Better facilitates AO (d)?	Better facilitates AO (e)?	Better facilitates AO (f)?	Better facilitates AO (g)?	Better facilitates AO (h)?	Overall (Y/N)
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes

Voting Statement

Objective d) Positive: effective price signals should allow Users to respond at key investment decision points. The proposed modification aims to prevent material, unforeseen changes in Generation TNUoS charges that could distort competition, particularly where impacts vary significantly between Generators without a clear justification. Unexpected changes are harmful because many Generators and Suppliers rely on published TNUoS forecasts for business planning, including decisions on repowering, plant closure, and future investments. When substantial changes occur late in the process, without notice and with uneven effects, TNUoS-liable parties cannot adapt, and this could undermine competition. At that stage, charges cease to function as price signals and instead become financially punitive or financial windfalls.

If Specific Expansion Factors are changed (increased or reduced) but Non-specific Expansion Factors are kept constant (as per CMP353) this is potentially discriminatory to specific Users and therefore the Original is better for competition than the baseline.

Objective e) Positive: The wide range of charge variances resultant of the change to the Specific Expansion factor cannot be cost-reflective since the costs of those specific already built assets have not changed. The new Specific Expansion Factors do not represent the actual costs of the schemes to which those factors are applied. There is no clear requirement in the CUSC that Specific Expansion Factors (SEFs) were meant to be reopened after construction, as they were designed to represent the cost of specific infrastructure and not to be periodically repriced. Reopening the SEFs creates volatility without a clear supporting methodology.

Objective f) Neutral: Does not have an impact on the transmission licensee. The connection agreement and operational requirements between the User and the transmission licensee do not change and the impact on the transmission network will be the same.

Objective g) Neutral :No impact on the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

Objective h) Neutral: No impact on the administration or efficiency of the CUSC. NESO Charging team will be following the same process but will use different values for the Expansion Factors.

Panel Member: **Kyran Hanks, Users' Panel Member**

	Better facilitates AO (d)?	Better facilitates AO (e)?	Better facilitates AO (f)?	Better facilitates AO (g)?	Better facilitates AO (h)?	Overall (Y/N)
Original	Yes	No	Yes	Neutral	Neutral	Yes

Voting Statement

d - Positive. It is not conducive to competition to have TNUoS charges moving suddenly and unpredictability. Given the background of fundamental TNUoS reform (Question: when is this going to start), it is reasonable to freeze this element of charges.

e - Negative. It seems clear that charges should go up. By freezing them for now, this would not be cost-reflective.

f - Positive. Freezing charges in the context of a fundamental TNUoS review is a sensible way to take account of developments in the transmission licensees' transmission business.

Overall, I consider that competition is more important than cost reflectivity and hence my position is positive overall.

Panel Member: **Lauren Jauss, Users' Panel Member**

	Better facilitates AO (d)?	Better facilitates AO (e)?	Better facilitates AO (f)?	Better facilitates AO (g)?	Better facilitates AO (h)?	Overall (Y/N)
Original	No	No	No	Neutral	Neutral	No

Voting Statement
On quick investigation into the reason for the increase in SEFs between RIIO2 and RIIO3, it becomes immediately clear that it is entirely due to the increase in WACC. It is well understood that the new RIIO period will bring new SEF values – indeed this was witnessed in the move from RIIO1 to RIIO2. It is also well understood across the industry that the costs of finance are increasing. RIIO2 used an unusually low WACC to derive the SEFs, and on further investigation, I have established that the baseline RIIO3 SEFs are almost entirely identical to the former RIIO1 SEFs, both of which use more normal WACC levels. Hence to freeze the SEFs at this level would be locking in an unusually low WACC. Given that CMP353 froze all other ECs using RIIO1 WACC levels, to freeze SEFs at RIIO2 levels rather than reverting back to the original RIIO1 levels as per this proposal would actually be creating an inconsistency between SEFs and other onshore circuits which currently does not exist. The main intention of the modification is to address the fact that there would be an unexpected change in charges for local circuits. The proposer has indicated that this modification would benefit a very small number of parties, perhaps only themselves, that have SEF circuits as local circuits. Given that the proposer represents a company that is part of a group of companies where a large part of the business is the network company that has built the SEF circuits in question, I don't agree that they could not have foreseen the change in WACC which is expected by all across the industry. Indeed, the 5-Year TNUoS forecast itself, which parties are already using, includes the new expected RIIO3 WACC, so to approve this modification would unexpectedly reduce charges for other parties and unexpectedly increase them for others, since RIIO3 WACC now the default and baseline levels.

Vote 2 – Which option best meets the Applicable Objectives?

Panel Member	Best Option	Which objectives does this option better facilitate? (If baseline not applicable).
Andrew Enzor	Original	d and e
Andy Pace	Original	d and e
Binoy Dharsi	Original	d
Camille Gilsenan	Original	d and e
Garth Graham	Original	d and e
Joe Colebrook	Original	d and e
Kyran Hanks	Original	d and f
Lauren Jauss	Baseline	N/A

Panel Conclusion

The Panel has recommended by majority that the Proposer's solution is implemented.

When will this change take place?

Implementation date:
01 April 2026

Date decision required by
Whilst the cut-off date (30 September 2025) for changes to the CUSC Section 14 TNUoS tariff calculation methodology ahead of the new Financial Year (1st April 2026 onwards) has passed we note that there are a number of current modifications in flight where NESO have stated that Ofgem can implement past this (30 September 2025) cut-off date if required. As this CMP463 change is a simple one – applying a single (existing) variable which is already within the model (rather than, for example, introducing a new variable or removing an existing variable) it is our understanding that these changes

can (and do) occur as between the draft TNUoS tariffs being published pre-Christmas (2025) and the publication of the final tariffs by the end of January (2026).

Implementation approach

None

Interactions

☐CUSC	☐BSC	☐STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[1]	☐Other modifications	☐Other

This CMP463 modification is not dependent on, or conditional upon, any other CUSC modification.

Acronyms, key terms and reference material

Acronym / key term	Meaning
ALF	Annual Load Factor
BSC	Balancing and Settlement Code
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
EC	Expansion Constant
EF	Expansion Factor
GC	Grid Code
HND	Holistic Network Design
HVDC	High Voltage Direct Current
NESO	National Energy System Operator
RIIO T2	(*the second, five year*) Revenue Incentives Innovation Outputs Transmission (*Price Control period*)

RIIO T3	(*the third, five year*) Revenue Incentives Innovation Outputs Transmission (*Price Control period*)
SEF	Specific Expansion Factors
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
T&Cs	Terms and Conditions
TNUoS	Transmission Network Use of System

Reference material

- CMP353 documentation

CMP353 'Stabilising the Expansion Constant and non-specific Onshore Expansion Factors from 1st April 2021' | National Energy System Operator

- CMP353 Decision Letter

CUSC accept _decision letter template

Annexes

Annex	Information
Annex 01	CMP463 Proposal Form
Annex 02	CMP463 Legal Text
Annex 03	CMP463 Code Administrator Consultation Responses
Annex 04	CMP463 Code Administrator Consultation Responses Summary