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CUSC Alternative and Workgroup Vote

CMP440: Re-introduction of Demand Transmission Network Use of System (TNUoS) locational signals by removal of the zero-price floor

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 – Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

Stage 2 – Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

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*

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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 2020/1006.*

Workgroup Vote

Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original proposal then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and

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Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

"Y" = Yes

"N" = No

"-" = Neutral (Stage 2 only)

"Abstain"

Workgroup Member	Alternative 1 (Statkraft UK Ltd, Charging over all periods to avoid negative price incentives)
Alex Savvides	Y
Damian Clough	Y
Lauren Jauss	Y
Nina Sharma	N
Paul Mott	Y
Robert Longden	Y
Simon Vicary	Y
WACM?	WACM
Date of vote	11 September (Workgroup 10)

Stage 2a – Assessment against objectives

To assess the Original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

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ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Alex Savvides – Statkraft					
Original	Y	Y	-	-	-	Y
WACM1	Y	Y	-	-	-	Y

Voting Statement:

The locational signal is a core principle of TNUoS methodology – Users’ charges are intended to reflect the incremental costs of transmission investment that they drive. The existing floor removed this signal for demand in negative zones as a result of valid concerns around the large distortive operational incentives to increase demand over Triad.

However, without this signal, there is no incentive for demand to site in areas with excess renewables – hampering the UK’s net zero ambitions. Reinstating the signal will provide new demand with the correct incentives to site in helpful locations, as well as improve cost reflectivity for existing demand users.

The optimal charging base for the locational signal in negative zones is one that avoids distortive operational signals, best reflects the periods that drive transmission reinforcement and can be implemented without undue complexity.

The process that NESO undertakes to recommend investment decisions relies on hourly modelling of supply, demand and constraint costs over all hourly periods across the four FES scenarios to 2050. New transmissions investments are justified with respect to the constraint costs saved compared to the cost of reinforcements over all periods – demand across triad or peak do not have any specific significance in this process. The conditions that drive expansion of circuits in negative zones are high wind periods, particularly at times of low demand in Scotland – with infrastructure investments built to reduce constraint costs.

The most reflective charging base would be to spread the locational signal over periods of high wind or north/south thermal constraints, however both approaches

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would significantly increase complexity and uncertainty for both NESO, Users and Suppliers.

Original:

The original is better than the baseline with respect to e) in that a negative signal is restored, and TNUoS charges will be more reflective for demand, than the absence of any signal. This in turn better facilitates fair competition (objective d), between demand users in different locations.

However, the charging base does risk operational distortion as it results in credits approaching £100/MWh at times of peak demand, this could become unhelpful particularly as concerted efforts are made to encourage demand to become more flexible and respond to price signals.

The charging base of 4-7pm does not match the conditions that actually drive network investment in negative zones, where all periods are considered for their impact on constraint costs before an infrastructure investment is recommended.

The original proposal is practical to apply, with just a single additional p/kWh tariff created.

WACM1:

WACM1 is better than the baseline with respect to e) in that a negative signal is restored, and TNUoS charges will be more reflective for demand. This in turn better facilitates fair competition (objective d), between demand users in different locations.

As the charging base is wider, there is no distortive behaviour encouraging use over high demand periods, and the strength of the signal at any given point is lower.

WACM1 charges over all periods, therefore the signal will be present over all high wind and constrained periods – the times which accurately reflect the costs incurred by transmission licensees in their transmission businesses.

The WACM1 proposal is practical to implement, with just a single additional p/kWh tariff calculated.

Both proposals are better than the baseline. However, WACM1 does not pose a risk of a distortive operational signal, is more reflective of the actual conditions that drive

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transmission investment in negative zones and is practical to implement – therefore it better facilitates the CUSC objectives than the original proposal.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Damian Clough – SSE					
Original	Y	Y	-	-	-	Y
WACM1	Y	Y	-	-	-	Y
No voting statement provided.						

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Karl Maryon – Drax					
Original	N	N	-	-	N	N
WACM1	N	N	-	-	N	N

Voting Statement:

We do not believe the original proposal or WACM1 better facilitates any of the Applicable CUSC Charging objectives. Specifically, both do not facilitate effective competition in the generation and supply of electricity. The Work Group's own analysis has shown that the original proposal would result in increases in TNUoS Demand charges in the South of the country and sizeable reductions in the North, all with very little notice. Customers on pass-through contracts would see this impact immediately on their bills, and customers on fixed contracts could face the potential reopening of their contracts which would expose them to these unexpected costs and result in a poor customer experience. For those suppliers who cannot pass-through these higher

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charges, they may face financial difficulty and ultimately be unable to absorb these costs which could result in supplier failures.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Lauren Jauss – RWE					
Original	Y	Y	-	-	Y	Y
WACM1	Y	Y	-	-	Y	Y

My intention of the Original, as proposer, is to bring demand charging in negative tariff zones back into alignment with the principles of demand charging in positive zones and with generation charging. I believe the Original is better than WACM1 for three reasons:

1. The measurement of consumption on which TNUoS charges would be levied is to derive a peak demand usage, an equivalent to Generation TEC, because Transmission Import Capacity does not currently exist for demand. For final demand users, on average, demand 4-7pm is a much better proxy for peak demand usage than consumption all year.
2. Non-half hourly customers typically have different, peakier, demand profiles than larger half-hourly customers. By using the same tariff for both NHH and HH (as per WACM1) NHH customers will achieve less of an incentive than they should, and HH customers will receive more because the consumption profile is an average of both customer types, whereas the Original derives separate, more accurate, tariffs
3. In Generation charging, a sites annual load factor is used as a rough empirical measure believed to be correlated to a site's contribution towards constraints across the year and hence transmission usage. Firstly, this approach uses load factors because different generators are deemed to be using the network at different times – intermittent assets sharing with dispatchable assets for example – and therefore sharing the transmission by stepping in when the

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other technology type isn't running. Demand is not deemed to be sharing the network with other types of demand. Additionally, I believe there is growing evidence, particularly in windier more northern parts of GB, that demand consumption at peak is more important in alleviating constraints than off peak. This is illustrated by Afry's work for the TNUoS storage sub-group for example – storage north of the B6 boundary exacerbates constraints during peak times and already alleviates constraints to quite a large extent during off peak. Therefore, incremental demand capacity is more important at peak than off peak. Hence this is a reason for retaining the approach to measure consumption at peak. The proposer would also highlight that TNUoS charges represent firm access to the transmission network and therefore given that demand control is not desirable, I believe peak demand consumption remains the correct measure.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Paul Mott – NESO					
Original	Y	-	-	-	-	Y
WACMI	Y	-	-	-	-	Y

Since the TDR reforms, locational signals for demand in relation to zones 1-8 have been discarded/suppressed. This was necessary to prevent adverse effects that would have arisen from an incentive to consume at the time of triad. For example, there would otherwise have been a £33/kW credit to consume then in zone 1.

This modification will allow the locational demand signals to be passed on once again, in at least diluted form, rather than not at all.

We note that the government's recent REMA decision document stated, "We will look to ensure strategic investments, such as data centres, will be located in places that deliver the best outcomes for the electricity system".

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Locational demand signals could therefore be beneficial in furthering that policy objective by encouraging demand to locate into northern Britain including (especially) generation-export-constrained areas where more demand sites could help alleviate constraints. We note that Ofgem said at August 2025 TCMF it is very open to “quick win” reforms to today’s TNUoS prior to post-REMA TNUoS reforms targeted for 2029 (if not late). Here’s what might be viewed as just such a quick win that was recommended by the TNUoS task force.

We regard both the original and the WACM as an improvement on baseline. The original generates a considerably stronger credit of up to £70/MWh (zone 1) across the evening peaks (which will rise to a credit of almost £100/MWh in the medium term, whilst wholesale prices are expected to generally fall with more low marginal cost renewable and nuclear plant) and seems a little “edgier”, though it is still generally unlikely in most periods to generate any signal to demand to take around the winter peak. WACM1 doesn’t carry a risk of differential incentivisation of consumption at different times. NESO does prefer WACM1, but that’s not especially strongly felt and the Original is also better than baseline.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Robert Longden – Cornwall Insight					
Original	Y	Y	-	-	-	Y
WACM1	Y	Y	-	-	-	Y

Both the Original and WACM1 seek to reinstate a cost reflective signal for demand which has been absent since the TDR reforms. Both have sought to avoid perverse incentives in their operation, and either would represent an improvement over the Baseline. WACM1 is marginally preferred due to its lack of differential incentivisation of consumption at different time periods.

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Of the 6 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	5
WACM1	5

Stage 2b – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal) or WACM1)

Workgroup Member	Company	Industry Sector	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Alex Savvides	Stratkraft	Generator	WACM1	(d), (e)
Damian Clough	SSE	Generator	WACM1	(d), (e)
Karl Maryon	Drax	Generator	Baseline	None
Lauren Jauss	RWE	Generator	Original	(d), (e), (h)
Paul Mott	NESO	System Operator	WACM1	(d)
Robert Longden	Cornwall Insight		WACM1	(d), (e)