Connection and Use of System Code (CUSC) CMP463: Stabilising the Specific Onshore Expansion Factors from 1 April 2026

Decision:	The Authority[1] directs that this modification should be made[2]
Target audience:	National Energy System Operator (NESO), Parties to the CUSC, the CUSC Panel and other interested parties
Date of publication:	27 January 2026
Implementation date:	01 April 2026

Background

Transmission Network Use of System ('TNUoS') charges recover the costs incurred by the Transmission Owners ('TOs') for the provision, maintenance, and expansion of the National Electricity Transmission System (the 'NETS'). TNUoS charges are calculated annually by the National Energy System Operator ('NESO') and are applicable to transmission connected generators, distribution connected generators larger than 100MW, and demand. These charges are a combination of cost-reflective forward-looking charges and residual charges. Cost-reflective TNUoS charges are intended to support the efficient use and design of the transmission system, by reflecting the incremental cost and impact demand and generation at various locations will likely confer on the transmission network.

[1] References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

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The Expansion Constant (EC) is an input in the TNUoS charging methodology and reflects the annuitized £/MW/km cost of 400kV Over Head Line (OHL) and is used as a multiplier to create 'nodal' TNUoS tariffs (the relative costs of adding 1MW of generation at each point on the transmission network, or 'node'). Expansion Factors (EF) are also used within the methodology to reflect the difference in cost of other types of asset compared to 400kV OHL. There are two types of EF; Non-Specific Onshore Expansion Factors are calculated using an average cost for the different type of asset to derive a generic GB wide cost multiplier; and Specific Expansion Factors (SEFs) which are calculated using annuitised costs of certain, individually-costed transmission circuits such as High Voltage Direct Current (HVDC) links relative to standard 400kV OHL and are applied to each of those individual assets separately.

On 2 December 2020, we approved CMP353: Stabilising the Expansion Constant and Non-Specific Onshore Expansion Factors from 1 April 2021. This meant that the EC and Non-Specific Onshore Expansion Factors were held at their existing levels at the start of the RIIO-T2[3] period.

The modification proposal

SSE (the 'Proposer') raised CUSC Modification Proposal CMP463[4] (the 'Proposal') on 14 November 2025 and requested that the Proposal be treated as urgent based on Ofgem's Urgency criteria.[5] On 19 November 2025, we granted[6] the Proposer's request for CMP463 to be progressed on an urgent basis.

[3] The electricity transmission network price control framework is known as RIIO (Revenue = Incentives + Innovation + Outputs). RIIO-T2 period runs from April 2021 to 31 March 2026
[4] CMP463: Stabilising the Specific Onshore Expansion Factors from 1st April 2026
[5] Urgency Guidance (Ofgem)
[6] CMP463: Decision on urgency

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The Proposal seeks to change Section 14 of the CUSC to allow the existing SEFs to be stabilised at their current 2025/26 values from the start of the forthcoming RIIO-T3 price control[7] until which time broader changes to the transmission charging regime are considered as part of the wider Reformed National Pricing programme of work. The Proposer has stated this change would align the treatment of SEFs with that already applied to the Expansion Constant and Non-Specific Onshore Expansion Factors through the implementation of CMP353.

The Proposer believes that, as compared to the current charging arrangements (the 'Baseline'), the Proposal better facilitates Applicable CUSC Objectives[8] (ACOs) (d) and (e) with a neutral impact against the remaining ACOs.

The Proposer states that the NESO's September 2025 Tariff forecast publication shows an increase of around 41% in the SEFs for affected circuits from April 2026. As such, the proposer considers that the Proposal will better facilitate effective competition as it will, in their view avoid these material and unpredicted changes in TNUoS charges that generators could have not reasonably foreseen. The Proposer also considers that the Proposal will result in more cost reflective charging as they argue that significant changes to the SEFs cannot be cost-reflective as the assets have already been built, so the new values do not represent actual costs incurred.

[7] RIIO-T3 period runs from April 2026 to 31 March 2031
[8] The ACOs against which the Original Proposal and the WACMs are to be assessed are set out in paragraph 4 of Standard Licence Condition ('SLC') E2 of NESO's licence

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CUSC Panel[9] recommendation

At the CUSC Panel meeting on 12 December 2025, the CUSC Panel (the 'Panel') by majority considered that the Proposal would better facilitate the ACOs than the baseline and therefore recommended its approval. Seven out of eight Panel members voted that the Proposal better facilitated ACOs (d) and (e). One Panel member voted against the modification better facilitating the ACOs overall. Further details on the views of the Panel members and voting are set out in the Final Modification Report (FMR).

Our decision

We have considered the issues raised by the Proposal and the FMR dated 12 December 2025, taking into account the responses to the Code Administrator Consultation as well as the votes of the CUSC Panel. We have concluded that:

- implementation of the Proposal will better facilitate the achievement of the ACOs; and
- directing that the modification be made is consistent with our principal objective and statutory duties.[10]

Reasons for our decision

We consider the Proposal will better facilitate ACO (d) and has a neutral impact on the other applicable objectives. Therefore, we have decided to approve CMP463 for the reasons set out below.

[9] The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.
[10] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

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Our assessment against the ACOs:

(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

The Proposer states that neither the inputs or calculation methodology for the SEF are publicly available and therefore are not reasonably forecastable by parties. As such the Proposer believes the large, short notice, unexpected changes in charges (driven by recent updates to the SEF) would create windfall gains and losses which would be detrimental to competition, and therefore CMP463 would be positive in regard to ACO (d). Additionally, the Proposer also believes that applying a consistent approach to freezing the SEFs, similar to that of the Expansion Constant and Non-Specific Onshore Expansion Factors which are already frozen (and impact over 99% of GB transmission circuits) would avoid undue discrimination and ensure a level playing field, thus improving competition.

The majority of Panel members considered that the Proposal would better facilitate ACO (d). This was generally on the basis that a lack of notice and unexpected material increases in charges (particularly in the context of the variable impacts depending on a sites location) which were unlikely to be forecastable, would be harmful to competition. It was also argued that the Proposal would bring the treatment of SEFs in line with that of other expansion factors, thus removing a perceived inconsistency, which would be beneficial to competition.

However, one Panel member believed that the Proposal would be negative for ACO (d) as it would be freezing what is, in their view, an unusually low SEF when compared to that of other price control periods. This, they argue, would result in a benefit for a small number of parties at the expense of others, and thus be harmful for competition.

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Our view

We agree that significant and unexpected changes to charges can undermine competition where material effects between generators are witnessed at short notice, and without reasonable justification. In the absence of the Proposal, some users would see significant changes to TNUoS charges, that in the context of the limited information available relating to the calculation of SEFs, could not have been reasonably foreseen. Unexpected changes in charges with little advance notice are, in our view, detrimental to competition, therefore as the Proposal prevents these, we consider it to better facilitate ACO (d).

Additionally, we consider by stabilising the Specific Expansion Factors the Proposal will ensure consistent treatment in line with the approach taken to freeze Non-Specific Expansion Factors (implemented through CMP353). This we believe is likely to better provide for a level playing field and subsequently have a positive impact on competition between generators.

(e) that compliance with the Use of System Charging Methodology results in charges that reflect, as far as is reasonably practicable, the costs (excluding any payments between the licensee and Transmission Licensees that are made under and in accordance with the System Operator – Transmission Owner Code (STC)) incurred by Transmission Licensees in their Transmission Businesses, and that are compatible with standard licence condition C11 (Requirements of a Connect and Manage Connection)

The Proposer considers that the wide range of charge variances resulting from the changes to the SEF cannot be cost reflective since the calculation uses costs for specific assets that have already been built and that will not have changed.

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The majority of Panel members considered the Proposal to better facilitate cost reflectivity and be positive against ACO (e). This was generally on the basis that the actual costs associated with the network assets that the SEFs are based on and are intended to reflect will not have increased to the scale of that seen in charges (around 41%). It was argued that as the assets are already built the expectation is that the factors should remain stable, and therefore by preventing such large increases this would be more cost reflective than the baseline.

However, those Panel members which found the modification to negatively impact ACO (e), highlighted that it is well understood across the industry that the costs of finance are increasing and that fixing the value of Specific Expansion Factors will remove a cost-reflective charge, which may temporarily blunt cost reflective signals to market participants.

Our view

We acknowledge the views, by some, that freezing the SEF may not be fully reflective of increasing costs, however, the responses suggest that it is not certain that the treatment of the costs included in the SEF calculation and therefore their effect on the locational signal is appropriate either. In the context of the forthcoming Reformed National Pricing programme, which will include broader changes to transmission charges, we consider that this Proposal will allow time for and provide a potential opportunity to determine whether the current methodology underpinning the SEF is appropriate. Therefore, we conclude that the Proposal is likely to be neutral regarding ACO (e).

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(f) that the Use of System Charging Methodology properly takes account of the developments in Transmission Licensees' Transmission Businesses and the ISOP Business;[11]

The Proposer and the majority of Panel members considered the Proposal to be neutral against ACO (f), although a large proportion of these members provided no explanation as to why. One Panel member believed the Proposal to be positive in relation to ACO (f), as they considered freezing the SEF in the context of a forthcoming fundamental TNUoS review is a sensible way to take account of developments in the transmission licensees' transmission business. One Panel member considered the Proposal to be neutral against ACO (f), and stated that the connection agreement and operational requirements between the User and transmission licensee did not change under the Proposal, and therefore the impact on the transmission network will remain unchanged. Another Panel member stated that the Proposal was negative regarding ACO (f) but did not provide any reasoning to support this view.

Our view

We consider that stabilising the Specific Expansion Factors will not directly impact the charging methodologies' ability to reflect changes in transmission licensees' businesses. Therefore, we conclude that the Proposal has a neutral impact on ACO (f).

(g) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency[12]

[11] Electricity System Operator Licence
[12] 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 had effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006

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The Proposer considered the Proposal to be neutral against ACO (g). The Panel unanimously expressed the view that the Proposal has no impact on this ACO and was therefore neutral.

Our view

We agree that the Proposal does not engage this objective and is therefore neutral in relation to ACO (g).

(h) promoting efficiency in the implementation and administration of the Use of System Charging Methodology

The Proposer states that the Proposal is neutral with respect to ACO (h). The Panel unanimously agreed that the Proposal has no impact on the implementation and administration of the system charging methodology and therefore was neutral against ACO (h).

Our view

We consider that to the extent that the Proposal requires no change to NESO's operational process or to the Specific Expansion Factors values then it will likely have no impact on the efficiency or implementation and administration of the CUSC. As such we conclude that the Proposal is neutral with respect to ACO (h).

Decision notice

In accordance with Standard Condition E2 of the Electricity System Operator Licence, the Authority, hereby directs that modification proposal CMP463: *Stabilising the Specific Onshore Expansion Factors from 1st April 2026* should be made.

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James Stone

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Signed on behalf of the Authority and authorised for that purpose

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