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## Workgroup Consultation Response Proforma

### CMP440: Re-introduction of Demand TNUoS locational signals by removal of the zero-price floor

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](mailto:cust.team@neso.energy) by **5pm** on **31 July 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 [Robert.hughes3@neso.energy](mailto:Robert.hughes3@neso.energy) or [cust.team@neso.energy](mailto:cust.team@neso.energy)

Respondent details	Please enter your details	
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<b>Which best describes your organisation?</b>	<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 type="checkbox"/> Supplier <input checked="" type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

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**I wish my response to be:**

(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 Workgroup, 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.*

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*\* 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.*

*Means the Use of System Charging Objectives, as if references therein to the Use of System Charging Methodology were to the Connection Charging Methodology and in addition, the objective (where consistent with the other objectives) of facilitating competition in the carrying out of works for connection to the National Electricity Transmission System.*

### 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.

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**Please express your views in the right-hand side of the table below, including your rationale.**

Standard Workgroup Consultation questions				
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:		
		<table border="1"> <tr> <td>Original</td> <td> <input checked="" type="checkbox"/> (d)   <input type="checkbox"/> (e)   <input type="checkbox"/> (f)   <input type="checkbox"/> (g)   <input type="checkbox"/> (h)  <input checked="" type="checkbox"/> None </td> </tr> </table>	Original	<input checked="" type="checkbox"/> (d) <input type="checkbox"/> (e) <input type="checkbox"/> (f) <input type="checkbox"/> (g) <input type="checkbox"/> (h) <input checked="" type="checkbox"/> None
		Original	<input checked="" 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>(d) This mod would re-apply a cost-reflective incentive for demand that uses signals from the expansion-based model that calculates, nodally but averaged into zones, the long run cost of transmission system expansion.</p> <p>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 in zone 1.</p> <p>This modification will allow the locational demand signals to be passed on once again, in at least diluted form, rather than not at all.</p> <p>We note that the government's recent REMA decision document stated <i>"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"</i>.</p> <p>Locational demand signals could therefore be beneficial in furthering that policy objective.</p>				

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		However, we also note that it's DESNZ's intention for Ofgem to perform a review of the existing charging arrangements, including as they apply to demand and to storage. At this stage it is not known whether the specific solution that CMP440 seeks to introduce will align with any future reforms, even if the underlying principle may align.
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  The Implementation date of 1st April 2027 allows time for Suppliers to prepare, if the decision falls within 2025, given they may have given customers fixed price contracts.
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the <a href="#">Workgroup Consultation Section</a> ) <input checked="" type="checkbox"/> No  Click or tap here to enter text.
5	Does the draft legal text satisfy the intent of the modification?	<input type="checkbox"/> Yes <input type="checkbox"/> No  Legal text will be drafted after the Workgroup Consultation has been completed.

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6	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		There is no impact

## Specific Workgroup Consultation questions

7	Do you agree that in negative price zones that the peak tariff element should be charged 4-7 pm all year? Should the year-round tariff be charged 4-7 all year or 24/7 all year round? Or do you believe that there is a different basis for doing this?	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		<p>Both 4pm-7pm all year (the original as now defined) and 24/7 (Alex S's potential WACM) have their merits. The former is closer to the peak demand conditions that may drive network investment, yet does generate a credit in the North of Scotland of just below £70/MWh. The latter generates a credit of a little above £10/MWh, removing any risk of differential incentivisation of consumption at different times. Both are better than baseline.</p> <p>Note that cost recovery at times constraints are binding is outside the design basis and philosophy of TNUoS and so is not an option.</p> <p>If the measurement of consumption for these purposes is viewed as aiming to establish something close to a TEC-like measure, whilst avoiding excessive incentives to consume, then 4-7pm might seem appropriate. However, it may not represent a</p>

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		<p>true/correct time of day signal in that the choice of 4–7pm is inherently a slightly arbitrary choice.</p> <p>In terms of the incentive given to locate energy-intensive demand (for whom electricity costs are the most significant as a portion of their entire site costs) into e.g. Scotland<sup>1</sup>, the potential WACM gives an incentive more to baseload demand, and avoids creating a time of day signal with potentially unintended effects. On the other hand, the original gives a stronger incentive, relatively speaking, to “peaky” sites to locate there, or to sites comprising discretionary demand/a behind the meter battery.</p> <p>.</p>
8	How negative can TNUoS charges be (in p/kWh) before they create a perverse incentive for users to consume, taking into account all other electricity costs? i.e. Is the charging period 4–7pm all year a sufficient duration over which to spread negative TNUoS charges?	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Wholesale prices across 4–7pm on average (under the original as now defined) are of the same order as the TNUoS demand locational credit would be in zone 1. In isolation, this could conceivably create a perverse incentive to consume in that period.</p> <p>However, demand also pays about £11/MWh of BSUoS<sup>2</sup>, and other costs like Final Consumption Levies. The perverse incentive to consume in that period may therefore be balanced to some extent by these other costs (depending on their</p>

<sup>1</sup> As well as, to a lesser degree, any of demand TNUoS zones 1 to 8. Although we note that the zones with negative prices may change over time.

<sup>2</sup> The present BSUoS fix is £10.74/MWh for summer 2025

<https://www.neso.energy/document/320611/download>

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		<p>relative scale). They may be relevant too for most consumers, so it seems a long enough total time span per year for the resulting tariff to not create such an incentive, on average and in general.</p> <p>Of course this will not be true for some half hours when the wholesale price may be low, but the additional incentive to consume of £70/MWh is not a large figure. There is the effect under the revised original of an increased incentive to take demand in Northerly zones across the 16:00–19:00 time span rather than at other times, all other things being equal (and regardless of the transmission system actual live state), due to having chosen a 16:00–19:00 time span.</p>
9	Do you agree that the best approach is to use average consumer profiles to derive p/kWh negative TNUoS tariffs for demand, rather than a conservative approach to the locational incentive which assumes that consumption during the charging period is the same as at triad?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>There is no need to bias things by being conservative in the approach. The best approach is to use a best estimate and not a conservative view.</p>



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10	Should the charging periods in positive charging zones remain the same as the Baseline or be consistent with those proposed for negative charging zones?	<div data-bbox="611 421 699 454"><input type="checkbox"/>Yes</div> <div data-bbox="611 495 699 528"><input type="checkbox"/>No</div> <p>This is not an area in which this modification proposal declares that there is a defect that it seeks to address. However, this matter is nonetheless included in the terms of reference for suggested discussion. There could be merit in a symmetrical approach to TNUoS demand locational recovery in positive and negative priced zones.</p> <p>In any event, demand TNUoS charging is likely to be reviewed on a wider basis than the CMP440 proposal, as part of the post-REMA review of charging. .</p>
11	What is your opinion regarding the scope of the modification proposal i.e. that there should be no change to the baseline basis of recovery of demand locationals for non-final demand?	<div data-bbox="611 1294 699 1328"><input type="checkbox"/>Yes</div> <div data-bbox="611 1368 699 1402"><input type="checkbox"/>No</div> <p>Under the revised original proposal, it seems particularly prudent to exclude non-final demand from its scope, as otherwise batteries would be somewhat incentivised to be more discharged than they otherwise would be just ahead of the 16:00 to 19:00 time band. Batteries and other storage sites are not quite like other discretionary demand in that the site has to be charged, in order to be able to discharge for a given endurance. They have been proving helpful to NESO during large infeed loss events,</p>

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		<p>and we do not want them to be artificially incentivised to be discharged at any given time, <i>ceteris paribus</i>.</p> <p>Under Statkraft's proposed potential WACM (all periods in the year), the above argumentation doesn't apply, and the proposal could be extended to non-final demand without harm. This would give storage sites an additional incentive to locate into Scotland, as is given to other especially baseload demand under this variant.</p>
12	<p>Do you consider that the Workgroup Alternative Request described in this report has merit? If you do, please set out why believe this is the case. Please offer any views you may have on the other further ideas discussed at the Workgroup, if you wish.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes, it too is better than baseline as it allows negative cost-reflective locational TNUoS signals to be applied to Northern demand to at least some degree, instead of being discarded via baseline's application of a zero price "floor".</p> <p>It is worth considering the incentive given to locate energy-intensive demand (for which electricity costs are the most significant as a portion of their entire site costs) into zones with negative prices. The potential WACM gives this incentive more strongly to baseload demand, whereas the original gives a stronger incentive, relatively speaking, to "peaky" sites to locate there, or to sites comprising discretionary demand. This is because discretionary demand could be caused by the site owner to manifest across 16:00 to 19:00 (regardless of system</p>

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		state, and of whether it is regionally windy at that time on that day).
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