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Code Administrator 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 usc.team@neso.energy by **5pm** on **03 March 2026**.

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 usc.team@neso.energy

Respondent details	Please enter your details	
Respondent name:	Paul Mott	
Company name:	NESO	
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Phone number:	07752extracharacterstodefeatwebcrawler987992	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

I wish my response to be:

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(Please mark the relevant box)	<input checked="" type="checkbox"/> Non-Confidential (this <u>will be shared</u> with industry and the Panel for further consideration)
	<input type="checkbox"/> Confidential (this will be disclosed to the Authority in full but, unless specified, <u>will not be shared</u> with the Panel or the industry for further consideration)

For reference the Applicable CUSC (charging) Objectives are:

- d) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- e) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C11 requirements of a connect and manage connection);
- f) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business*;
- g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and
- h) Promoting efficiency in the implementation and administration of the system charging methodology.

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective g) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

For reference, (for consultation question 5) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

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- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) *enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) *integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

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 Code Administrator Consultation questions						
1	Please provide your assessment for the proposed solution(s) against the Applicable Objectives against the current baseline.	Mark the Objectives which you believe the proposed solution(s) 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 type="checkbox"/>None </td> </tr> <tr> <td>WACMI</td> <td> <input checked="" type="checkbox"/>d <input type="checkbox"/>e <input type="checkbox"/>f <input type="checkbox"/>g <input type="checkbox"/>h <input 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 type="checkbox"/> None	WACMI	<input checked="" type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input 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 type="checkbox"/> None			
		WACMI	<input checked="" type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input type="checkbox"/> None			
<p>CMP440 and its WACM would each in their own way re-apply a cost-reflective incentive for demand in the locational signals that are being lost today due to the operation of the “flaw that is the floor”. Carefully-calculated inter-zonal differentials across zones 1 to 7 are not applied at the moment, the floor being necessary to avoid creating an undesirable incentive to take electricity in North Britain at forecast times of triad.</p> <p>The mod elegantly overcomes this by rebasing the TNUoS locational credit in the relevant zones. It spreads the credit over a much longer period of time than the triads, and creates a more modest credit in any given half hour. Yet across the year (albeit with some load factor dependence), it gives the same total £ credit to a demand unit in any given zone, as an unfloored version of baseline would have given.</p>						

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		<p>This modification would, if approved, allow the locational demand signals to be passed on once again, in a diluted form without a perverse incentive.</p> <p>The government's July 2025 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>. Within the current charging regime, this mod would deliver that incentive in Scotland, where new demand is desirable (at least at times of high regional renewable production).</p> <p>Both the original and the WACM represent an improvement on the baseline. The original generates a considerably stronger credit of up to £70/MWh across the evening peaks, in demand TNUoS zone 1, North Scotland, which is the most extreme case. This will rise to a credit there 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. The original version of the change therefore seems a little "edgier", though it is still generally unlikely in most periods to generate a net signal (when combined with wholesale prices and BSUoS costs) encouraging zone 1 customers to take more electricity at around the winter peak. WACM1, generating a credit of perhaps £10/MWh or so all year round in Zone 1, doesn't carry any foreseeable risk of differential incentivisation of consumption at different times. NESO has a preference for WACM1 over the original, but we believe that both are better than baseline.</p>
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		We are however aware that this change proposal may only be in place until 2029, when Reformed National Pricing is targeted to come in. That may or may not be long enough for investors in demand sites in affected areas to rely and act upon.
2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input checked="" type="checkbox"/> WACM1 <input type="checkbox"/> Baseline <input type="checkbox"/> No preference Click or tap here to enter text.
3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Ofgem approves the mod by 30 th September 2026 in line with CMP292, NESO IT will have time to modify its billing systems in line with proposed implementation from 1/4/27.
4	Do you have any other comments?	Click or tap here to enter text.
5	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.

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	and conditions held within the Code?	Click or tap here to enter text.
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