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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 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 or cust.team@neso.energy

| Respondent details | Please enter your details | |
|--|---|--|
| Respondent name: | Lauren Jauss | |
| Company name: | RWE Supply & Trading GmbH | |
| Email address: | Lauren.jauss@rwe.com | |
| Phone number: | 07825 995497 | |
| Which best describes your organisation? | <input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector | <input checked="" type="checkbox"/> Storage <input checked="" type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input checked="" 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 | | | | |
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| 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 checked="" type="checkbox"/> (f) <input type="checkbox"/> (g) <input checked="" type="checkbox"/> (h) </td> </tr> <tr> <td></td> <td><input type="checkbox"/> None</td> </tr> </table> | Original | <input checked="" type="checkbox"/> (d) <input type="checkbox"/> (e) <input checked="" type="checkbox"/> (f) <input type="checkbox"/> (g) <input checked="" type="checkbox"/> (h) |
| Original | <input checked="" type="checkbox"/> (d) <input type="checkbox"/> (e) <input checked="" type="checkbox"/> (f) <input type="checkbox"/> (g) <input checked="" type="checkbox"/> (h) | | | |
| | <input type="checkbox"/> None | | | |
| <p>Yes, as proposer we continue to believe that the Original Proposal better facilitates the CUSC objectives.</p> <p>This proposal seeks to restore the locational signal for final demand that existed pre-April 2023, before TDR was levied on a £/site/day basis. The intention 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. It does not seek to address any defects or improve the charging arrangements either in positive demand tariff zones or with generation charging.</p> | | | | |
| 2 | Do you support the proposed implementation approach? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | |
| | | Click or tap here to enter text. | | |
| 3 | Do you have any other comments? | No comment | | |

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| 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 Workgroup Consultation Section) <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 Not provided. |
| 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 Click or tap here to enter text. |

Specific Workgroup Consultation questions

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| 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 | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No We believe at this stage that the best solution is to charge both tariffs 4-7pm all year. The benefits of final demand in alleviating the need for transmission investment are greater if that |
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| | charged 4-7 all year or 24/7 all year round? Or do you believe that there is a different basis for doing this? | <p>demand occurs during the peaks rather than the off peaks</p> <p>Please see our answer to question 5 for a more detailed explanation.</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>Even with support under the British Industrial Competitiveness Scheme, if approved, Ells would pay just under 9p/kWh in network and policy costs alone. That means that even if there wholesale electricity cost is zero, the negative locational tariffs would have to approximately double from ~5p/kWh in northern Scotland for Ells to face a negative overall electricity cost in any period. Based on the current price cap, domestic and small businesses pay roughly 16p/kWh in network and policy costs so that a negative TNUoS tariff of currently up to ~5p/kWh would not appear to be likely to outweigh other electricity costs. Hence it seems likely that the 4-7pm all year charging period for peak and year round tariffs is a good duration over which to spread a negative charging signal.</p> <p>We do propose however that this be kept in review, and should the eventuality arise whereby retail prices become consistently negative that this be addressed (except in instances where</p> |

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| | | this is driven by a cost-efficient reduction in network constraint costs). |
| 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? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Using an average approach is likely to result in the most accurate overall outcome. A conservative approach would result in a significant amount of under incentivisation which could be argued to be just as problematic as over incentivising.</p> |
| 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? | <input type="checkbox"/> Yes <input type="checkbox"/> No <p>We believe the arrangements in positive charging zones should not be amended as part of this modification. The intention 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. It does not seek to address any defects or improve the charging arrangements either in positive demand tariff zones or with generation charging</p> |

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| 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> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>We agree that the scope of the proposal should be for final demand users only.</p> <p>The proposed approach requires that consumption during the charging period be used to estimate a users' consumption during triads. This estimate would not be accurate if the same parameters are used for non-final demand users because the relationship between the charging period and triad period would be completely different.</p> |
| 12 | 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. | <div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>We agree that the Alternative Request has merit because the benefit of very wide charging periods (e.g. all year) is that the negative tariff is less negative than a narrower charging period.</p> <p>However, we do not agree that there is any justification that a 24-7 charging period is more appropriate than the Original periods on the basis of year-round tariffs representing constraints all year. <u>DESNZ's own commissioned analysis</u> to support its development of the LDES cap and floor concluded that locating LDES in Scotland would result in a net increase in</p> |

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| | | <p>locational balancing system costs because periods of high demand and high prices in the wholesale market would be correlated with times of high LDES generation in Scotland and this outweighed any benefits of absorbing renewables generation during the off peaks. Therefore we conclude that the benefits of increased final demand during the off peak periods are lower than the benefits of increased final demand during the peaks because storage already exacerbates constraints during the peaks and alleviates constraints during the off peaks. This means the benefits of final demand in alleviating the need for transmission investment are greater if that demand occurs during the peaks rather than the off peaks. Frontier's analysis for the TNUoS Taskforce reached a similar conclusion that broadly network flows are still greater during periods of peak demand than periods of off peak demand. Hence, it would not be correct to place equal weighting (and incentives) of demand during the off peaks as the peaks.</p> <p>The proposer would support further analysis and / or increased transparency regarding NESO's assumptions and approach in determining the need for network investment based on network use by different users. However, without this transparency it is difficult to know how to amend</p> |
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| | | <p>the current arrangements in any material way to better reflect how users impact network investment.</p> <p>The TNUoS transport model outputs demand charges in £/kW by zone to be levied on consumption at triad. The proposal does not seek to amend the transport model output in any way. Therefore the question at hand for this proposal is how the £/kW transport model output based on triad demand is processed to arrive at a tariff that can be levied on users in negative tariff zones.</p> <p>The objective here is then to try to derive what a users expected demand is at triad based on their typical behaviour, or based on a proxy, without using actual triad demand. Use of actual triad demand might influence users consumption in some way and this is to be avoided. The generation equivalent measure to triad demand is TEC, and generators pay TNUoS based on TEC. The tariff model considers that generators share some of the network with eachother in meeting demand. Project transmit included significant empirical analysis and the outcome was that a generators impact on constraints and hence the need for transmission investment for the proportion of the network which was shared was deemed to be directly</p> |
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| | | correlated to their ALF. No such approach exists for demand users: they are not deemed to share the network with eachother. |
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