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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 [cust.team@neso.energy](mailto:cust.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 [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 checked="" type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input checked="" 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"/> <b>Non-Confidential</b> (this <u>will be shared</u> with industry and the Panel for further consideration)
	<input type="checkbox"/> <b>Confidential</b> (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 checked="" 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 checked="" 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 checked="" 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 checked="" 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 checked="" 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 checked="" type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input type="checkbox"/> None			
<p>The locational signal is a core principal 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.</p> <p>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.</p> <p>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.</p> <p>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</p>						

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		<p>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.</p> <p>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 would significantly increase complexity and uncertainty for both NESO, Users and Suppliers.</p> <p><b>Original:</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The original proposal is practical to apply, with just a single additional p/kWh tariff created.</p> <p><b>WACM 1</b></p>
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		<p>WACM 1 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.</p> <p>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.</p> <p>WACM 1 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.</p> <p>The WACM 1 proposal is practical to implement, with just a single additional p/kWh tariff calculated.</p>
2	Do you have a preferred proposed solution?	<p><input type="checkbox"/>Original</p> <p><input checked="" type="checkbox"/>WACM1</p> <p><input type="checkbox"/>Baseline</p> <p><input type="checkbox"/>No preference</p> <p>Both proposals are better than the baseline. However, WACM 1 does not pose a risk of a distortive operational signal, is more reflective of the actual conditions that drive transmission investment in negative zones and is practical to implement – therefore it better facilitates the CUSC objectives than the original proposal.</p>
3	Do you support the proposed	<p><input checked="" type="checkbox"/>Yes</p> <p><input type="checkbox"/>No</p>

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	implementation approach?	In our view the implementation timing is realistic and achievable and the proposed legal text amendments comprehensive.
4	Do you have any other comments?	<p>We strongly believe this modification should progress and be implemented in advance of any wider, later TNUoS changes associated with reformed national pricing (which are not likely to be implemented until 2030+). This is for the following reasons:</p> <ul style="list-style-type: none"> <li>(i) It is not fair that Scottish domestic and existing commercial customers should continue for a material additional length of time to be subjected to a non-cost reflective charging system, paying more than their fair share.</li> <li>(ii) It is imperative that new build large demand be able to see this negative credit ASAP to encourage them to site in locations that reduce costs to the wider electricity system. The status quo is often used for modelling purposes, and if implementation is delayed, there is a risk that large volumes of new build demand from data centres and hydrogen do not get built in appropriate places. This will be locked in for many decades, unnecessarily increasing TNUoS for Scottish wind, with the knock-on impact of increasing CfD clearing prices.</li> </ul>

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5	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.
		Click or tap here to enter text.