

Public

CUSC Modification Proposal Form

CMP 442: Introducing the option to fix Generator TNUoS charges

Overview: This modification gives Generators the opportunity to fix their wider Transmission Network Use of System (TNUoS) charges against the forecasted tariffs provided by NESO.

Modification process & timetable



Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: High impact

Generators, NESO and Suppliers

| | |
|--|---|
| Proposer's recommendation of governance route | Standard Governance modification with assessment by a Workgroup |
|--|---|

| | | |
|--|---|---|
| Who can I talk to about the change? | Proposer: Tom Steward Tom.Steward@RWE.com 07785 663264 | Code Administrator Contact: Jess Rivalland jessica.rivalland@nationalenergyso.com 078 6678 6143 |
|--|---|---|

Public

Contents

| | |
|--|----------|
| What is the issue? | 3 |
| Why change? | 3 |
| What is the proposer’s solution? | 3 |
| Draft legal text..... | 5 |
| What is the impact of this change? | 6 |
| Proposer’s assessment against CUSC Charging Objectives..... | 6 |
| Proposer’s assessment of the impact of the modification on the stakeholder / consumer benefit categories | 7 |
| When will this change take place? | 8 |
| Implementation date | 8 |
| Date decision required by | 8 |
| Implementation approach..... | 8 |
| Proposer’s justification for governance route | 8 |
| Interactions | 8 |

Public

What is the issue?

The current Generator TNUoS charges are hard to forecast and hence add significant risk to generators investment decisions. For an economically rational Generator, this will manifest in higher bids into competitive processes such as the Contracts for Difference (CfD), and/or additional cost in other significant investment decisions such as refitting plant.

Why change?

This code modification, originally developed both as a WACM to [CMP413](#) (Rolling 10-year wider TNUoS generation tariffs) and under the TNUoS Taskforce, seeks to reduce the level of risk associated with the unpredictability of TNUoS across the entire network (noting the recently announced cap-and-floor).

What is the proposer’s solution?

We believe that the NESO is better placed to forecast evolution of network and costs than individual developers, particularly in the context of the introduction of the Centralised Strategic Network Plan (CSNP), Strategic Spatial Energy Plan (SSEP) and Clean Power Plan for 2030 (CPP30). It is well acknowledged that unpredictability adds avoidable risk (and cost) to the system. Therefore, we propose giving Generators the option to fix their wider generation charges in line with a forecast to be produced by the NESO.

The NESO has produced a 10 year projection and indicated during the [CMP413](#) modification process that this might be extendable to 15 years. We propose that the NESO extends the methodology as far into the future as possible to allow the minimal level of avoidable risk to be passed on to Generators, with consistent reviews to allow the forecast length to “ratchet” upwards as expertise in long term forecasting develops. This forecast would then be reproduced annually, and any Generator choosing to fix would do so on the basis of the latest forecast (which would reflect the latest information available at the time, for example, accepted code modification changes, known network developments etc).

A Generator’s fix would relate to its wider charges, excluding the “limiting regulation” – EU838/2010. GW. The Workgroup can discuss whether the fix should also be applied to a Generator’s local tariffs, but it does not form part of this proposal at the outset.

Public

For the avoidance of doubt, fixing in line with the forecast would mean that TNUoS charges would be on a fixed profile i.e. they could go up and down over this period. However these fluctuations would be known in advance.

For new projects, liability would begin at the point of Transmission Entry Capacity (TEC) start. For existing projects, it would begin from the start of the next charging year. Towards the end of a fixed period, a site would have the option of fixing again or moving onto a variable TNUoS tariff (akin to today's arrangements). Generators opting into a fix could not opt out again mid-way through. It is not envisioned that if a site closes it would be obligated to pay for its remaining fixed period. Theoretically a site might be able to announce its "closure" (and surrendering the TEC) and instant reopening to exit an unfavourable fix. Given the significant current shortage of grid capacity and the steps being taken in connection reform, it is not clear if this is a genuine concern – this too is proposed to be a subject of discussion at the Workgroup. We suggest that a Generator would not be required to fix its entire TEC, but it can elect to subdivide its TEC – again to allow consideration of future investment plans.

To address changes to a site that occur during a site's fixed period, our objective is to ensure that a TNUoS fix shouldn't incentivise, nor disincentivise, changes to be made to a site. To this end we propose that if a site reduces its TEC, its liabilities decrease as per today. If a site increases its TEC, the new TEC is charged at the latest forecast rates (and the Generator may choose to fix that part of its TEC). There exists a theoretically possible route to gaming this provision, by a site choosing to reduce its TEC and then shortly after increase TEC again under a new fix, in order to (at least partially) exit an unfavourable fixed rate. Again, it is not clear if this is a genuine risk. However, if deemed to be so, one possible solution would be to apply a "ratchet" approach whereby the previously fixed price TEC that was reinstated during the fixed period would again attract the original charge. The proposer is open to alternative solutions (and indeed discussing at the Workgroup if this is a genuine risk).

If a site changes technology during the life of a fix (e.g. moves from intermittent to conventional carbon by adding storage), the life of the fix continues, but at the rate that would have been charged at the point the fix was initially taken. This is intended to be robust for future developments in charging of hybrid sites. We note the possible interactions with the [CMP316](#) modification, which if approved, could alter the appropriate treatment of hybrid sites under this proposal.

We note that a modification cannot truly protect a Generator from future modifications. Therefore, a future modification could change the TNUoS charges of a Generator with a

Public

fix. . It is a matter for OFGEM how future modifications are applied and to manage any impacts on investor certainty.

The fixed TNUoS period may not cover the entire period of a CfD, but any overlap could significantly reduce the level of uncertainty risk premia in a CfD bid.

Every effort has been made in this proposal to avoid incentives for gaming, however, should any be identified during the Workgroup, the proposer intends that these be addressed. If this code modification were to be approved by the Authority and subsequent opportunities for gaming were to materialise, this could become the subject of a another, possibly urgent, modification.

Draft legal text

CUSC Section 14 – CHARGING METHODOLOGIES

Fixing future generation tariffs

The Company will, on an annual basis, produce a forecast of wider generator TNUoS tariffs [as set out in X.XX].

Generators will have the option to fix, against a portion or all of their TEC, the Peak, Year-Round Shared, and Year-Round Not Shared elements of the wider tariff calculation in line with the forecast produced by The Company. For the avoidance of doubt, the Adjustment Tariff would not be subject to a fix, and it is not possible for a generator to fix only some of the remaining elements of the wider charge.

When The Company makes a forecast beginning the following year available, Generators are not already subject to a fixed period have the option to fix in line with that tariff. This please make the proposed changes in red and keep the format as per the CUSC document.option is available until the beginning of the following charging year. Fixes can be in a number of whole years from 1 to maximum length of available forecast from the ESO.

Once a Generator has opted for a fix, this fix continues until either the fixed period ends, or the TEC is given up – whichever occurs first. Site changes that impact tariffs mid-way through a fixed period will not affect the remaining length of the fix, but tariffs will be adjusted to reflect those that the site would have paid from the beginning of the fix, had the changes been in place at that time.

If a site reduces TEC then the charge would reduce, but the tariff would be unchanged. If a site increases TEC, additional TEC should be charged from the latest forecast. If a

Public

Generator reduces TEC and reinstates it during the same fixed period, the reinstated TEC must be charged at the rate of the prevailing fix. This is done to avoid an incentive to use TEC changes to avoid an unfavourable fixed tariff. The Generator retains the right to fix this TEC or not. If The Company has cause to believe a Generator is attempting to prematurely exit a fix by means of reducing and then subsequently increasing TEC, this conduct should be reported to The Authority.

Any generator that has yet to elect a fix will have its tariffs refreshed annually.

What is the impact of this change?

| Proposer's assessment against CUSC Charging Objectives | |
|--|---|
| Relevant Objective | Identified impact |
| (a) 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; | <p>Positive</p> <p>This allows generators to make informed investment decisions. After a Financial Investment Decision (FID), Generators are unable to respond to changes in the locational signal. Generators developing simultaneously will face the same set of relative locational charges. Applying the fix only to generators that are able to respond to it is logical.</p> |
| (b) 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 C26 requirements of a connect and manage connection); | <p>Positive</p> <p>Each generator making a significant investment decision will be able to reflect the latest views of charges at that point in time.</p> <p>Fixing each Generators' costs separately means improvements to the methodology (e.g. recalculation of the expansion constant) can be applied to all Generators who have yet to pass FID..</p> |
| (c) 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 | <p>Positive</p> <p>Forecasts are reflective of the expected changes in network topography and approved</p> |

Public

| | |
|--|--|
| account of the developments in transmission licensees' transmission businesses; | methodology changes. New Generators will face updated forecasts which reflect any changes in this. |
| (d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and | Neutral |
| (e) Promoting efficiency in the implementation and administration of the system charging methodology. | Neutral |
| **The Electricity Regulation referred to in objective (d) 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. | |

| Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories | |
|---|--|
| Stakeholder / consumer benefit categories | Identified impact |
| Improved safety and reliability of the system | Neutral |
| Lower bills than would otherwise be the case | Positive This modification reduces or removes unnecessary risk from investment decisions, the cost of which is inevitably passed through to consumers. |
| Benefits for society as a whole | Neutral |
| Reduced environmental damage | Positive Uncertain network charges present a significant risk to developers, particularly in Northern areas of Great Britain (GB) where even small percentage changes in tariffs can result in significant £m impact. This modification would reduce the risk for new renewable investment in GB and so potentially help to accelerate the transition to Net Zero. |
| Improved quality of service | Neutral |

Public

When will this change take place?

Implementation date

01 April 2026

Date decision required by

30 September 2025

Implementation approach

The NESO would need to build on existing work to develop the necessary processes to produce a robust forecast of future tariffs.

Proposer’s justification for governance route

Governance route: Standard Governance modification with assessment by a Workgroup

Although much of the development work has already been completed by the [CMP413](#) Workgroup and the TNUoS taskforce, some areas could benefit from further development/scrutiny.

Interactions

- | | | | |
|---|---|---|---|
| <input type="checkbox"/> Grid Code | <input type="checkbox"/> BSC | <input type="checkbox"/> STC | <input type="checkbox"/> SQSS |
| <input type="checkbox"/> European Network Codes | <input type="checkbox"/> EBR Article 18 T&Cs ¹ | <input checked="" type="checkbox"/> Other modifications | <input checked="" type="checkbox"/> Other |

TNUoS Taskforce – The proposal was developed in parallel under the TNUoS taskforce and [CMP413](#).

Charging code modifications – This modification would allow developers to fix their charges in line with the latest forecast, which would take account of code modification decisions that has been taken. It does not **directly** interact with any particularly live charging code modifications however.

¹ If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the Electricity Balancing Guideline (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

Public

Acronyms, key terms and reference material

| Acronym / key term | Meaning |
|--------------------|--|
| ESO | Electricity System Operator |
| NESO | National Energy System Operator |
| BSC | Balancing and Settlement Code |
| CMP | CUSC Modification Proposal |
| CUSC | Connection and Use of System Code |
| EBR | Electricity Balancing Regulation |
| STC | System Operator Transmission Owner Code |
| SQSS | Security and Quality of Supply Standards |
| T&Cs | Terms and Conditions |
| CSNP | Centralised Strategic Network Plan |
| FID | Financial Investment Decision |
| CPP30 | Clean Power Plan from 2030 |
| SSEP | Strategic Spatial Energy Plan |
| TEC | Transmission Entry Capacity |
| TNUoS | Transmission Network Use of System |