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Dear Catia,

Re: Urgency request CMP405: TNUoS Locational Demand Signals for Storage

As proposer, I would like to request urgent status for CMP405.

CMP405 now requires an urgent timeline for an imminent issue

Urgency is now required due to a new imminent issue, which has emerged. At the time this modification was raised, a normal timescale was sufficient. However, recent developments have combined to increase the importance of reaching an early decision, while the prospect of timely progress within normal industry process has substantially worsened. This has now combined to create an impasse that can only be resolved by awarding urgent status.

Urgency was not initially required for CMP405 when it was raised by SSE Generation on 10th November 2022. This is because it was raised with sufficient time for it to be assessed by Industry and the Authority and for a decision to be made in time for the impacts of the modification to be able to be included in the Final Investment Decision's as well as 'Cap and Floor' work for current Long Duration Storage projects¹.

Recent developments have increased the importance of a timely resolution of this modification to deliver new government policy objectives of Clean Power 2030 Action Plan² announced last week on 13th December 2024, as well as the SSEP³, CSNP⁴ and tCSNP⁵, details of which were also published last week on 9th December 2024. This modification also needs to be resolved within REMA timescales, with government recently announcing last week on 13th December⁶ that policy development will be concluded around mid-2025. The interdependence

¹ This timetable was originally sufficient, even including the self-imposed small delay to reassess the solution following feedback from the Workgroup which is all part of helping run an efficient Workgroup process.

² Clean Power 2030 Action Plan: A new era of clean electricity: [Clean Power 2030 Action Plan: A new era of clean electricity](#)

³ Strategic Spatial Energy Plan Draft methodology: [download](#)

⁴ Centralised Strategic Network Plan (CSNP) High-level methodology principles: [download](#)

⁵ Transitional Centralised Strategic Network Plan 2 Refresh Methodology: [download](#)

⁶ Review of Electricity Market Arrangements Autumn Update: [REMA Autumn update 2024](#)

with REMA is that this modification provides an important solution for a Reformed National Market design as an alternative to Zonal pricing, as well as providing a potential benchmark for grandfathering within the REMA process.

It is in customers' best interest that the result of this modification is resolved in time for key FID points to reduce risk to investors to reduce cost of capital, reduce risk margins and reduce support payments to reduce the cost to customers support schemes, or other market prices relevant for investors.

Unfortunately, due to Connection Reform all other Workgroup were put on hold, and the TNUoS Storage Subgroup has not been started. These external factors eroded the time available, so a normal timetable is now not sufficient and, instead, an urgent timeline would now be required to deliver an Ofgem decision in time for key investment decisions.

As Industry looks to recommence Workgroups on other CUSC modifications, other than those for Connection Reform, a number of other modifications have subsequently been raised and deemed more important than CMP405.

In particular, similar modification CMP440 "Re-introduction of Demand TNUoS Locational signals by removal of the zero price floor" was given "High" priority, and due to the similar issue addressed, CMP405 should be progressed at least in parallel with, or ahead of CMP440. This has left SSE as proposers of CMP405 in a quandry as it has been deemed of "Low" priority by the CUSC Panel⁷, so there currently appears little opportunity for CMP405 to progress withing the normal industry process in a coordinated way with other changes to demand credits, or in time for important imminent issues.

Significant impact

We understand the need to progress Industry modifications in a manner which best utilises limited resources. However, we are now facing what we consider:

"a significant commercial impact on parties, consumers or other stakeholder(s);"

Significant impact on consumers

This modification has a significant impact on consumers. Storage, and in particular long-duration storage, is a critical element in delivering a net zero carbon energy system, and CMP405 is an essential element in enabling the storage business model. Specifically, long-duration storage is particularly beneficial for enabling faster connection of wind generation that NESO and the TOs are currently struggling to achieve. The only currently realisable long-duration storage technology is pumped hydro, but unfortunately this has long project construction timelines, which makes it essential to provide investor confidence to enable

⁷ CUSC Panel Headline Report from 8th November: [download](#)

construction to begin as soon as practically possible so that customers can realise the benefits it will deliver.

Significant impact on parties

Regarding commercial impact on parties, the lack of long-term certainty impacts projected revenues, (future Balancing Mechanism revenues are highly uncertain), and tends to either increase the financing costs of these projects or put them in jeopardy. Unfortunately, Long Duration Energy Storage (LDES) is a relatively niche technology with a minority of market participants developing this service. The impact of this modification will therefore be relatively large, but only for a relatively small number of Industry Parties.

The large impact of this modification on affected parties, on its benefits to the GB System for Net Zero and its benefit for customers should be the deciding factor.

Practical to complete in urgent timescale

We have developed our proposed solution, which is now far simpler and can therefore be progressed faster with less resource than previously planned, so fits well with an urgent status. The new solution will require far less workgroup time and resource to analyse and justify compared with previous.

Background to the CMP405 workgroup progress

Throughout CMP405 we have received considerable push back from the ESO and now NESO around Storage and its benefits to the System often based on the historic operation of Pumped Storage as opposed to the expected future operation of storage alongside other market interventions and proposed improvements to the various Codes.

From a commercial perspective we have received no reassurance outside of DESNZ to recognise the need, or system benefits of Long Duration Energy Storage. TNUoS charging currently in our opinion does not accurately reflect the total costs and benefits to the system and the end consumer of Imports. A decision on CMP405 will help to provide some more certainty on the direction of travel in thinking on the need for flexibility and storage to the system especially in areas of high renewables.

We did agree to pause the modification for a short time, but only to take time to improve the solution taking into account workgroup feedback received. Even though the modification has been delayed in terms of workgroup meetings, we have shown to still be actively working on the modification in the background as demonstrated by the various emails sent to the ESO and Ofgem describing the new proposed solution.

The decision to pause was also informed by the expectation of imminent feedback from the new Charging Futures Storage TNUoS Subgroup launched in February 2024, to be concluded by July 2024. However, this storage subgroup was itself delayed and is still yet to hold its first

meeting. The urgency of CMP405 cannot wait for nor is it contingent on any potential storage subgroup timeline.

As an Industry I feel we need to determine far better what is progressed and deemed important, not based on Current Industry Participants' own needs and the impact upon them but where the System is heading and the impact on the end consumer. Flex has been noted as crucial for customers in achieving Net Zero, but historically, code modifications like this one for Demand and Imports have tended to consistently get pushed to the back and detrimentally deprioritised behind modifications that impact exports. This relatively low prioritisation of demand and import related modifications should not be allowed to continue.

I would be more than happy to discuss anything in this letter further if helpful.

Yours sincerely,

Damian Clough

Network Charging Manager