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Nadir Hafeez

Ofgem

By email

Trisha McAuley OBE

Independent Chair CUSC & Grid Code Panel

Ren Walker

CUSC Panel Technical Secretary

10 January 2025

CMP423 request for Urgency letter

Dear Nadir,

Connection and Use of System Code (CUSC) Modification Panel Request for Urgency and Recommended Timetable for **CMP423: Generation Weighted Reference Node**.

On 12 October 2023, SSE Generation Ltd raised **CMP423**. The Proposer sent a request to the CUSC Panel Secretary on 17 December 2024 for this modification to change governance route, and as such be treated as urgent.

Currently the MW/Km for a node is calculated based on its relativity to the centre of Demand. CMP423 seeks to change this so that the MW/Km is calculate based on its relativity to the centre of Generation.

All documentation for this modification can be located via the following link:

<https://www.neso.energy/industry-information/codes/cusc/modifications/cmp423-generation-weighted-reference-node>

The CUSC Modifications Panel ("the Panel"), on 10 January 2025, considered the change of governance route for **CMP423** and the associated request for urgency. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends.

The Proposer set out their rationale for Urgency against Ofgem's Urgency criteria (**a**) which is as follows:

**a) A significant commercial impact on parties, consumers or other stakeholder(s).**

- This modification will materially impact the value and relative locational signal for any new demand investments which are part of government's targets to decarbonise the energy system. This will include new demand for the electrification of heat, transport, and other forms of commercial and industrial demand. In Ofgem's open letter , they correctly

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recognised that customers benefit from reducing uncertainty for generation investors: “Seeking industry action to develop a temporary intervention to protect the interests of consumers by reducing the uncertainty associated with projected future TNUoS charges” The modification should be considered high importance because it’s impact is large as it would substantially change the value of wider locational tariffs and relative locational signals for both generation and demand.

- This modification should receive urgent consideration because it would substantially change the absolute value and the relative value of locational signals for the large capacity of generation projects expected to bid into CfD allocation rounds from 2025 onwards. This Reference Node modification CMP423 more appropriately and sustainably addresses the long-underlying cause of investor uncertainty, which complements the short-term nature of CMP444 “Cap and Floor” modification. By contrast, CMP444 only addresses the symptoms of uncertain tariffs in the short-term rather than the underlying cause of TNUoS charge uncertainty over the long-term.
- The importance of addressing the issue of uncertainty is described by Ofgem in their open letter as: “This open letter is our response to the developing uncertainty around long-term Transmission Network Use of System (“TNUoS”) charges, particularly concerns driven by last year’s 10-year projections of significant charge increases for generators in the North of Great Britain (“GB”).” By reducing those large values of northern TNUoS charges through changing the Reference Node, industry will naturally reduce the defect and variability thus reducing the need for the cap and floor mechanism. Any delays to this modification would materially distort the outcome of CfD allocation rounds for a large capacity of projects that are essential to deliver government low carbon targets.
- In addition, a decision on this modification should be made before applying any fixed price TNUoS charges such as through modification CMP442. This is because CMP442 proposes to offer an option of fixing tariffs based on a NESO forecast of future tariffs, so this Reference Node modification is essential to avoid fixing tariffs at the current excessive and non-cost reflective level.

### Panel Consideration of the Request for Urgency

The Panel considered the request for urgency with reference to [Ofgem Guidance on Code Modification Urgency Criteria](#). The majority view of the Panel is that **CMP423 does not meet** Ofgem’s Urgency criteria<sup>1</sup>. Therefore, the recommendation of the Panel is that **CMP423 should not be** treated as an Urgent CUSC Modification Proposal.

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<sup>1</sup> Ofgem’s current view is that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

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

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Panel members set out their rationale behind this decision:

- Some Panel members agreed with the Proposer’s rationale for urgency.
- The current use of the demand weight reference node is a principle used within setting TNUoS that has been established for some time. We do not assess this change as urgent due to the longstanding nature of the existing arrangements which all stakeholders have been aware of. The rationale that this change is needed prior to the next CfD auction is not relevant as the proposer could have brought this change forward prior to previous auctions where it would also have had a commercial impact. Therefore, does not meet the urgency criteria.
- The decision to agree that this modification should proceed on an urgent basis was finely balanced. It certainly, in my opinion warrants a high priority in the prioritisation queue. The Panel member outlined their reasons they believe that CMP432 marginally passes the assessment of “a significant commercial impact on parties, consumers or other stakeholder(s) is because the magnitude of uncertainty this modification poses could impact bids in the upcoming CfD AR7. Whilst there was no clear evidence provided that substantiates that the security could outturn at the value assessed by the proposer, this specific value within the model is very sensitive to charges/tariffs and even a modest reduction could have significant impacts to Users. Aside from the assessment criteria, this modification alongside a decision for CMP444, could also provide additional protection to Users from breaching the cap and therefore impact to other Users from a greater adjustment to the generation adjustment factor. In conclusion, having erred on the broader interpretation of the assessment criteria on this occasion because of the potential magnitude of change the Locational Onshore Security Factor could have on Users. It would be reckless to assess all urgent requests in this manner as it will open up a precedent for others in industry to use Urgency as way to avoid placing it correctly in the prioritisation queue in the first place. On this occasion urgency will be beneficial given the upcoming CfD AR7 auctions.
- A Panel member stated that the TNUOS Cap and floor (CMP444) is being introduced to provide certainty to investors whilst the industry progresses modifications to improve TNUOS charging methodology, such as Modifications CMP432 and CMP423. A Panel member could not recommend Urgency for CMP423 because the materiality of the commercial impact is not clear. The Panel member was unable to understand the financial impact on customers if this modification is implemented before or after CMP444 (TNOUS Cap and Floor), and therefore the need for the modification to be considered by the Authority together with CMP444 or before the CFD AR7. It is not clear what the

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- b) A significant impact on the safety and security of the electricity and/or gas systems; or
  - c) A party to be in breach of any relevant legal requirements.

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commercial impact of moving to a generation-weighted reference node would be on generators and customers, and therefore why CMP423 needs to be granted urgency. It's the Panel's responsibility to set a high bar for proposers to prove the materiality of any commercial impact as part of an urgent request. Where possible, this should be quantitatively assessed for transmission charging-related mods and provided in the urgency letter or presentation to the Panel. The Panel member noted that SSE have raised some valid points that require the prioritisation of this modification to be reconsidered at the next CUSC Panel meeting and support SSE's request for transparency in the TNUoS DFTC model and to allow the industry to complete analysis for modifications that are currently constrained by NESO revenue Team resources.

- A Panel member agreed that this would help complement CMP444 and will add an enduring solution element which has again already been deemed to have urgent status – this would reflect positively on consumer impact coming from investor decisions and ability to commit to invest.
- The view of a Panel member was, since CMP444 is urgent, and these modifications are directly relevant to 444, which is urgent, then this should be urgent.
- Under the criteria for urgency, a modification must be linked to an imminent issue that would cause one of the three negative impacts. Irrespective of the impact of the modification, the Panel member doesn't believe that the proposer has proved that the relevant issue is urgent. In particular, disagrees with the proposer's argument that this modification, if implemented before the end of government policy proposals on REMA, could be used to inform said government policy – the timelines for that have, unfortunately, already passed. The proposer highlighted interactions with CMP444, but the Panel member wishes to highlight that even with urgency, any solution under CMP423 would already be too late to be factored into the cap and floor levels set within CMP444, and whilst CMP423 might make it less likely that such a cap be met, does not believe that creates a case for urgency, especially given that analysis to date shows that even with a cap and floor under CMP444, that cap would not be reached for over two years. From the above, the Panel member does not agree with the proposer's urgency request.
- A Panel member stated that it has been suggested that CMP423 should be raised urgently in order to meet timescales for the upcoming CfD Allocation Round 7. Whilst understanding how certainty on whether this modification is likely to be implemented would be useful for participants in this allocation round, the same could be said for any charging modification which is likely to change future TNUoS charges. It could also be made in respect of any upcoming support mechanism allocation process such as the next Capacity Market auction. Indeed, as the Capacity Market auction is an annual process, all TNUoS modifications could be classified as urgent if using this rationale. It has also been suggested that CMP423 is needed urgently to form part of a counterfactual solution to REMA. This isn't the case, and the modification can be assessed under the normal process to meet this objective. Indeed, from a REMA perspective, it should be considered in similar timescales as other charging modifications which could also form the basis of an enhanced National market. There is nothing specific about the proposal compared with other modifications that requires urgent assessment ahead of them.

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Indeed, CMP444 has been raised urgently with the express rationale to limit future changes in charges until these other change proposals can be progressed and, if appropriate, implemented. This allows these more enduring changes to be assessed in a more considered and thorough manner. CMP423 could have a significant impact on the market. However, it won't have a significantly different impact if assessed urgently compared with a non-urgent process.

### Procedure and Timetable

The Panel discussed an appropriate timetable for **CMP423** in the instance that urgency is granted.

The Panel agreed that **CMP423** subject to Ofgem's decision on Urgency should follow the attached Code Administrator's proposed timetable (Appendix 1 **Urgent recommendation**). In Appendix 2 of this letter, the Code Administrator has also provided the timeline if this follows standard timescales with the assumption that Panel prioritise this high in the prioritisation stack.

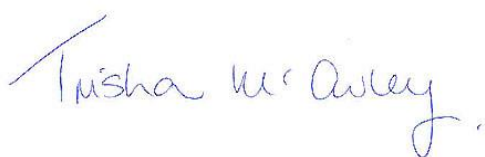
Panel noted that if urgency is required, there would be;

- A Workgroup Consultation period of less than 15 Business Days
- Code Administrator Consultation period of less than 15 Business Days
- There would be less than 5 clear Business Days between publication of the Draft Final Modification Report and Panel's recommendation; and
- There would be less than 5 clear Business Days for Panel to check that their Recommendation Vote had been recorded correctly

Under CUSC Section 8.24.4, we are now consulting the Authority as to whether this Modification is an Urgent CUSC Modification Proposal.

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response

Yours sincerely



Trisha McAuley OBE

Independent Chair of the CUSC and Grid Code Panel

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Ren Walker

CUSC Panel Technical Secretary

### Appendix 1 – Urgent Timeline

Modification Stage	Date
Modification presented to Panel	10 January 2025
Ofgem grant Urgency	16 January 2025 (5pm)
Workgroup 3 – Workgroup 6 (assuming Ofgem have granted Urgency)	28 January 2025 07 February 2025 18 February 2025 27 February 2025
Workgroup Consultation (4 business days)	05 March 2025 – 12 March 2025
Workgroup 7 – Workgroup 10 (Assess Workgroup Consultation Responses and Workgroup Vote)	18 March 2025 26 March 2025 02 April 2025 09 April 2025
Workgroup Report issued to Panel (2 business days)	14 April 2025
Panel sign off that Workgroup Report has met its Terms of Reference	17 April 2025
Code Administrator Consultation (7 business days)	22 April 2025 – 02 May 2025
Draft Final Modification Report (DFMR) issued to Panel (3 business days)	09 May 2025
Panel undertake DFMR recommendation vote	15 May 2025
Final Modification Report issued to Panel to check votes recorded correctly	15 May 2025
Final Modification Report issued to Ofgem	15 May 2025
Ofgem Decision	Summer 2025, to allow developers to factor in the impact of the change ahead of the likely CfD AR7 bid submission window.
Implementation Date	01 April 2026

### Appendix 2 – Standard Timeline

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Modification Stage	Date
Modification presented to Panel	27 October 2023
Workgroup nominations (15 business days)	31 October 2023 – 21 November 2023
Workgroup 1	22 January 2024
Workgroup 2	17 April 2024
Workgroup 3	30 January 2025
Workgroup 4	25 February 2025
Workgroup 5	12 March 2025
Workgroup 6	01 April 2025
Workgroup Consultation (15 business days)	07 April 2025 – 25 April 2025
Workgroup 7	26 May 2025
Workgroup 8	10 June 2025
Workgroup 9	01 July 2025
Workgroup 10	24 July 2025
Workgroup Report issued to Panel (5 business days)	22 August 2025
Panel sign off that Workgroup Report has met its Terms of Reference	29 August 2025
Code Administrator Consultation (15 business days)	02 September 2025 – 22 September 2025
Draft Final Modification Report (DFMR) issued to Panel (5 business days)	23 October 2025
Panel undertake DFMR recommendation vote	31 October 2025
Final Modification Report issued to Panel to check votes recorded correctly	31 October 2025
Final Modification Report issued to Ofgem	20 November 2025

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Ofgem Decision	TBC
Implementation Date	TBC

### Appendix 3 – Panel Urgency Vote

See separate attachment