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Workgroup Consultation Response Proforma

CMP444: Introducing a cap and floor to wider generation TNUoS Charges

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 usc.team@nationalenergyso.com by **5pm** on **29 January 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 usc.team@nationalenergyso.com.

Respondent details	Please enter your details	
Respondent name:	James Knight	
Company name:	Centrica	
Email address:	James.knight3@centrica.com	
Phone number:	07557613126	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input 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:

(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)

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For reference the Applicable CUSC (charging) Objectives are:

- 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;*
- 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 C11 requirements of a connect and manage connection);*
- 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 account of the developments in transmission licensees' transmission businesses and the ISOP business*;*
- d) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and*
- e) *Promoting efficiency in the implementation and administration of the system charging methodology.*

* See Electricity System Operator Licence

**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.

For reference, (for consultation question 6) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- 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.*

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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 ESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions

1	Do you believe that the Original Proposal better facilitate the Applicable Objectives?	Mark the Objectives which you believe each solution better facilitates:
		Original <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		This modification could facilitate enhanced competition in generation, by decreasing uncertainty for projects, allowing them to proceed at competitive costs, whether CfD-supported or not.
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?	The positioning of the cap and floor across all potential solutions is relatively arbitrary and represents a move away from cost reflectivity. Without having an assessment of wider system benefit it is difficult to ascertain what level of cap and floor would provide most benefit for Consumers.
4	Do you wish to raise a Workgroup Consultation	<input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)
		<input checked="" type="checkbox"/> No

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	Alternative Request for the Workgroup to consider?	Click or tap here to enter text.
5	Does the draft legal text satisfy the intent of the modification?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
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

7	Do you believe the cap and floor should have an end date? If so, how long or what is the appropriate trigger.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No We believe that having an end date would be beneficial in giving some additional certainty to investment decisions. Realistically though this will prove difficult to codify as the code will always be subject to changes via future modifications. We wonder whether additional certainty could be provided by Ofgem and DESNZ outside of the CUSC that would satisfy investors.
8	What level of certainty would be required from this modification to best support investment decisions? Please justify any additional protection required (for example grandfathering	<input type="checkbox"/> Yes <input type="checkbox"/> No Not answered

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	rights or any other levels of protection).	
9	Does the Original proposal with no specific end date provide Developers with sufficient confidence to make an investment decision? Please justify.	<input type="checkbox"/> Yes <input type="checkbox"/> No Not answered
10	Does the Original Proposal and any of the Alternatives raised achieve the objectives of the Ofgem letter?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
11	Do you agree with the data set proposed for the calculation of the cap and floor? If not, what data set would you propose? What is your view on the use of NESO's 5-year forecast of April 2024?	<input type="checkbox"/> Yes <input type="checkbox"/> No Not answered
12	Please provide your assessment of the Original Solution and the 7 Alternative Requests discussed by the Workgroup (additionally, please indicate your preferred solution with associated justification):	
Alternative Request		Assessment
Original Solution		The positioning of the cap and floor across all solutions is relatively arbitrary and represents a move away from cost reflectivity. Without having an assessment of wider system benefit it is difficult to choose a preferential solution.
Alternative Request 1		
Alternative Request 2		

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Alternative Request 3	<p>Where uncapped TNUoS rates increase above the capped rates, under this alternative the adjustment tariff becomes more negative before the additional shortfall created by the capped rates is applied. This leads to TNUoS revenue recovery from Generation reducing further than necessary to comply with the limiting regulation.</p> <p>Under this scenario the costs of this subsidy would be passed through to the TDR. This would increase demand standing charges which we feel is unpalatable and could cause an increase in supplier risk premia due to uncertainty and ultimately, and unnecessarily, higher costs to consumers.</p> <p>We believe that if uncapped rates were to increase to an extreme level this alternative could lead to a breach of the limiting regulation.</p>
Alternative Request 4	N/A
Alternative Request 5	
Alternative Request 6	
Alternative Request 7	