



Making a positive difference
for energy consumers

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Delivered by email.

Dear Trisha,

Decision on CUSC Modification Panel's recommendation for CMP405 'TNUoS Locational Demand Signals or Storage' to be treated as an Urgent CUSC Modification Proposal

On 10 November 2022, SSE (the 'Proposer') raised Connection and Use of System Code (CUSC) Modification Proposal CMP405¹ (the 'Proposal'). The Proposer subsequently requested to the CUSC Panel Secretary on 17 December 2024 for this modification to change governance route, and as such be treated as urgent.

¹ [CMP405: TNUoS Locational Demand Signals for Storage](#)

On 10 January 2025, the Panel wrote to inform us² of its majority view that CMP405 should be treated as an urgent CUSC Modification Proposal,³ with most Panel members considering that there could be a significant commercial impact on parties, consumers or other stakeholder(s) if the Proposal were to not be treated as urgent.

We have considered the Panel and the Proposer's arguments and have decided that CMP405 should not be progressed on an urgent basis. We have set out our reasoning below.

Background

Transmission Network Use of System (TNUoS) charges are designed to recover the costs of the transmission network from both generators and demand users. These charges include locational signals, which reflect the costs of using the transmission network in specific areas. The methodology also incorporates the principles set out in the Security and Quality of Supply Standards (SQSS), which guide the efficient planning and operation of the transmission system to maintain security and reliability.

As part of the decision on CMP343, Ofgem floored the forward-looking charge Locational Demand signal at £0/kWh, as options without a floor were negative for competition by introducing the potential for perverse incentive, by incentivising users to increase their use of the system at times of peak demand. The 'no floor' option was deemed to risk distortive signals, as well as providing a distortive advantage to users in one part of the system.

The Proposer seeks to amend the CUSC to separate demand Year Round locational signals from Peak Security locational signals, specifically for storage facilities that import electricity during periods other than Triads. The Proposer contends this would result in demand TNUoS charges that better reflect the benefits of storage in reducing system constraints and supporting renewable generation, particularly in areas dominated by intermittent renewables. The Proposer believes this will incentivise storage to locate near renewable generation and operate during high-output periods, improving system efficiency and reducing overall costs.

² References to the "Authority," "Ofgem", "we", and "our" are used interchangeable in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

³[CMP405: Urgency Request Letter](#)

Urgency Request

In its urgency request, the Proposer explained why it was requesting urgency, highlight one of the three criteria set out in Ofgem's Guidance on Code Modification Urgency Criteria⁴ ('Ofgem's Urgency Criteria'): (a) A significant commercial impact on parties, consumers or other stakeholder(s).

The Proposers considers the Proposal should proceed under an urgent timeline on the basis they believe that delays in implementing CMP405 could exacerbate investor uncertainty for long-duration energy storage (LDES) projects. The Proposer notes that the absence of timely resolution risks delaying Final Investment Decisions (FIDs) for LDES projects, increasing financing costs and hindering broader policy objectives such as the Clean Power 2030 Action Plan⁵ (CP2030) and Review of Electricity Market Arrangements (REMA). In support of its urgency request, the Proposer states that the proposed solution is straightforward to implement and that progressing CMP405 would address a pressing need for clarity in storage-related TNUoS signals.

Panel view

At the Panel meeting on 10 January 2025, a majority of the Panel members agreed to recommend to Ofgem that CMP405 be progressed as an urgent CUSC Modification Proposal. The arguments for and against urgent treatment are set out in the Panel's letter of 10 January 2025.

The majority of the Panel agreed with the Proposer's justification in support of urgency agreed with the Proposer that there may be a significant commercial impact on parties, consumers, or other stakeholders if the Proposal does not progress on an urgent basis. However, one Panel member highlighted that CMP405 is critical for LDES projects, particularly in locations where high transmission costs currently act as a barrier to investment. Another Panel member noted that delays to the modification could exacerbate investor uncertainty and negatively impact FIDs for LDES projects, which are crucial to achieving net-zero targets.

However, some Panel members expressed reservations about the urgency request. One member questioned whether the Proposer had sufficiently demonstrated an imminent issue, noting that the timeline for the proposed changes does not align with immediate deadlines for LDES projects or REMA. Another member raised concerns that the Proposer had not

⁴ As published in our [Urgency Guidance](#)

⁵ [Clean Power 2030 Action Plan: A new era of clean electricity – main report - GOV.UK](#)

provided sufficient evidence to quantify the commercial impact on generators or consumers or to demonstrate how the modification interacts with the proposed LDES Cap and Floor⁶ regime in a way that necessitates urgency. They also noted that linking CMP405 to non-urgent modifications, such as CMP440⁷, undermines the case for urgency. Additionally, it was argued that CMP405 could be more effectively progressed alongside CMP440 which would allow for a more coordinated and comprehensive assessment.

Our decision

In reaching our decision on urgency, we have considered the details within the Proposal, the justification for requesting urgency, and the views of the Panel. We have assessed the request against the Urgency Criteria set out in our published guidance, and, in particular, whether the Proposal is linked to an imminent or current issue that, if not urgently addressed, may cause a significant commercial impact on users.

We disagree with the Proposer that the Proposal relates to an imminent or current issue that, if not urgently addressed, may cause a significant commercial impact. The Proposer's arguments are largely predicated on the importance of long-duration energy storage (LDES) to support the transition to net-zero. Furthermore, the Proposer has not provided sufficient evidence to demonstrate that the issues identified represent an immediate threat to investment or consumer outcomes that justify urgency.

The Proposer claims that progressing CMP405 urgently is necessary to align with government policies, such as CP2030, and to mitigate investor uncertainty for LDES projects. However, these arguments do not sufficiently establish the existence of an imminent issue requiring urgent action. For example, while CP2030 sets out long-term goals, the Proposer has not shown that an urgent decision on CMP405 is critical to achieving these objectives within the stated timelines. The Proposer states urgency is required to resolve this within a REMA timeframe, however the Department for Energy Security and Net Zero (DESNZ) have not published a firm decision on REMA, with a decision expected (at the time of writing) in mid-2025⁸. We therefore consider that the Proposer has not provided a sufficiently compelling case, supported by sufficient evidence, for CMP405 to be progressed urgently. Instead, CMP405 can be assessed within the standard process, permitting a more considered and coordinated approach with wider ongoing reforms.

In addition, the Proposer has not provided compelling evidence to demonstrate that urgency would materially impact the implementation of long-duration storage projects or

⁶ [Long duration electricity storage consultation: Government Response](#)

⁷ [CMP440: Re-introduction of Demand TNUoS locational signals by removal of the zero price floor | NESO](#)

⁸ [Review of electricity market arrangements \(REMA\): autumn update, 2024 - GOV.UK](#)

consumer benefits. The timelines for LDES projects and related regulatory initiatives, such as the LDES Cap and Floor regime, are not contingent upon CMP405 being progressed on an urgent basis. As such, progressing CMP405 under the standard governance route would not prevent the realisation of the potential benefits it seeks to deliver.

We also note that CMP405 overlaps with other modifications, such as CMP440, that are addressing similar issues related to TNUoS charges and demand locational signals. CMP440 has been ascribed a higher priority than CMP405, and we consider that it would be appropriate to consider the merits of both modifications in parallel. This would allow for coordination between the two modifications, ensuring overlapping considerations are assessed collectively and thoroughly, under the standard governance process, ensuring consistent and well-founded outcomes.

Furthermore, unlike other urgency requests made 10 January 2025, we see no material interactions between CMP405 and a potential introduction of a TNUoS cap and floor. As such, we regard CMP405 as less urgent as it does not need to feed into the design of the TNUoS cap and floor. Having it progress on an urgent basis could affect the pace and quality of multiple other code modifications progressing in parallel in the coming months, and that are also crucial in delivering Clean Power 2030.

We therefore do not agree that we should grant the Proposal urgency and disagree with the Panel that the modification should follow the urgent (rather than the standard) timetable set out in the Panel's letter. This decision aligns with Ofgem's Urgency Guidance, which emphasises that urgency should only be granted where there is a clear and immediate need to act to avoid significant adverse impacts. In this case, we do not consider the Proposer has demonstrated such a need.

For the avoidance of doubt, in rejecting the request for urgency, we have made no assessment of the merits of the Proposal and nothing in this letter in any way fetters our discretion in respect of the Proposal.

Yours sincerely,

Shai Hassid

Deputy Director for Electricity Charging and Market Design

Duly authorised on behalf of the Authority