

Bute Energy – CMP 444 Ofgem Consultation Response:

We are happy for our response to be treated as Non-Confidential.

1. To what extent do you agree with our assessment of the impacts of CMP444 options on cost reflectivity? Please provide your detailed rationale and any supporting evidence.

We agree with Ofgem’s assessment that all CMP444 options reduce the cost reflectivity of TNUoS charges. As acknowledged in the consultation and our original consultation response, introducing a cap and floor mechanism narrows the range of charges and limits the locational differentiation that underpins cost-reflective signals. While this may bring benefits in terms of predictability, we consider that the baseline better supports the long-term principle of cost reflectivity, which remains a key pillar of efficient system planning.

2. Do you agree with our assessment of the impacts of CMP444 options on competition between generators? Please provide your rationale and any supporting evidence. If you have contemporaneous documents and/or data to support your assessment of the interactions between CMP444 options and competition in generation we would encourage you to share it with us alongside this consultation response, clearly marking any confidential data.

We recognise that reduced volatility may offer greater investor certainty, which could lead to increased competition as more new generation is able to come forward and compete. However, we are concerned that applying a cap and floor may introduce new distortions between zones, particularly where projects have already committed based on historical TNUoS forecasts. Bute Energy have and continue to make substantial investment in renewable energy project development in Wales, with the investment case justified in response to the locational signals within the status quo (baseline) TNUoS forecasts. Applying a cap and floor would risk disadvantaging those who responded to the signals as intended.

While we acknowledge the potential benefits in reducing entry barriers, we believe that a stable and cost-reflective framework remains the fairest and most efficient basis for long-term competition.

3. To what extent do you agree with our views on the interactions between cost-reflectivity and competition? Please provide evidence (qualitative or quantitative) supporting your answer.

We agree with Ofgem’s analysis that there is a trade-off between cost reflectivity and promoting effective competition. While we see the merit in Ofgem’s view that reduced volatility could improve access and confidence for new entrants, we believe that the significant reduction in cost reflectivity outweighs any potential increase in competition. Locational signals are essential to incentivise efficient deployment of generation and to minimise long-term system and constraint costs. Undermining those signals risks encouraging development in areas that place additional strain on the transmission network, leading to inefficiencies that ultimately increase costs for consumers.

**4. To what extent do you agree with our assessment of CMP444 options against ACO (f)?
Please provide your detailed reasoning and any evidence in support.**

We are neutral on this point. We do not consider CMP444 to have a significant bearing on these requirements. As such, we therefore do not have a strong view on whether the options materially better or worse facilitate ACO (f) than the baseline.

**5. To what extent do you agree with our assessment of CMP444 options against ACO (g)?
Please provide your detailed reasoning and any evidence in support.**

Same as Q4.

**6. To what extent do you agree with our assessment of CMP444 options against ACO (h)?
Please provide your detailed reasoning and any evidence in support.**

We fully agree with Ofgem's assessment. CMP444 would add another layer of complexity to an already complex charging methodology, requiring significantly more time and resource from both generators and NESO to administer any of the WACM's. It would also introduce further uncertainty given the need for future work to determine the duration of the cap and floor mechanism and any subsequent reforms or intervention.

7. To what extent do you agree with our assessment of CMP444 options against the ACOs, taken collectively? Please provide your detailed reasoning and any evidence in support.

We agree with Ofgem's minded-to decision to reject all the proposals and acknowledge Ofgem's balanced assessment of the ACOs. Our view is that the baseline continues to offer the best balance across the ACOs as a whole. It maintains cost reflectivity, supports long-term system efficiency, and avoids unintended distortions. While some CMP444 options may offer near-term improvements in investor confidence, we believe these issues are better addressed through long term reform under REMA, where system-wide solution can be considered holistically. Collectively, we do not believe the CMP444 options better facilitate the ACOs than the current baseline.

8. Do you consider that implementation of any of the proposals (if we assessed them to better facilitate achievement of the ACOs) would have particular impacts relevant to our principal objective and/or wider statutory duties? Please provide your detailed reasoning and any evidence in support.

Yes. We believe that implementing any of the CMP444 proposals would have implications for Ofgem's principal objective to protect the interests of current and future consumers, particularly in respect of delivering a secure, efficient, and decarbonised energy system. Diluting locational signals could lead to inefficient project deployment, increased constraint costs, and suboptimal use of the transmission network, all of which may raise long-term costs to consumers.