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Energy Systems Catapult response to Ofgem's consultation on its decision on introducing a cap and floor to wider generation Transmission Network Use of System (TNUoS) charges

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Summary

Network charging, in tandem with market design, must urgently reflect the physical realities of the electricity system by delivering transparent, cost-reflective signals that vary by time and location to guide efficient investment and operations. Given the government's decision not to pursue nodal or zonal pricing under the Review of Electricity Market Arrangements (REMA), there is greater onus on Ofgem ensure accurate signals and long-term clarity, to avoid the risks of centralised misallocation and enable a level playing field for all technologies to drive a fair, secure, and efficient Net Zero transition.

Detail

This response addresses [Ofgem's consultation on the introduction of a cap and floor regime for TNUoS](#) and should be read in conjunction with [Ofgem's open letter on TNUoS reform](#).

In tandem with market design, network charging reform must reflect the physical realities of the electricity system – recognising that the value of electricity varies significantly across both time and location. Charging signals must better guide investment and operational decisions based on real system value. This would maximise system efficiency, keeping costs as low as possible for consumers.

While electricity market reform should ideally deliver this functionality, government's decision not to pursue nodal or zonal pricing under REMA places greater responsibility on the network charging regime to do the heavy lifting. Ofgem must now lead in developing signals that reflect where and when electricity is most valuable.

The first REMA consultation delivered clear evidence: current electricity market arrangements are not fit for purpose to meet the UK's decarbonisation, cost, and security goals. In this context, charging signals that are accurate – in signalling value in the electricity system to drive efficient operational and investment decisions – are not a “nice to have”. They are essential for enabling efficient system development in the near term.

We are concerned about both the timing and the uncertainty surrounding reforms. Waiting until 2029 for enduring change risks undermining investment decisions being made now and locking in inefficient investments that unduly increase electricity bills. At the same time, reliance on

administratively-set charging signals introduces inherent volatility and unpredictability. Ofgem must set out how it will provide long-term clarity to investors while maintaining cost reflectivity.

There is also a broader risk in shifting towards central planning. Relying on top-down direction and government foresight to predict system needs creates a high risk of misallocating capital or underbuilding critical capacity. Instead, reforms should enable decentralised actors – generators, consumers, storage, and flexibility providers – to respond dynamically to accurate price signals.

Ultimately, charging reform must create a level playing field, where technologies compete based on their contribution to system value – whether through location, load factor, flexibility, or demand response. This reform is a critical enabler of a fair, secure, and efficient Net Zero transition.

We would be happy to further discuss this topic with you.

Sincerely,

Tom Luff (Practice Manager, Electricity Markets, Policy and Regulation, Energy Systems Catapult)

About the Energy Systems Catapult

The Catapult was set up to accelerate the transformation of the UK's energy system and ensure UK businesses and consumers capture the opportunities of clean growth. The Catapult is an independent, not-for-profit centre of excellence that bridges the gap between industry, Government, academia, and research. We take a whole systems view of the energy sector, including in policy design and implementation, helping us to identify and address innovation priorities and market barriers, to decarbonise the energy system at the lowest cost.