

## Public

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11 August 2025

### **Minded-to Decision on CMP444: Introducing a cap and floor to wider generation TNUoS charges**

Dear David,

#### **Who we are**

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry.

NESO's primary duty is to promote three objectives: enabling delivery of a cleaner, affordable and reliable energy system for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

#### **Our key points**

- We previously assessed CMP444 as neutral with regards to cost reflectivity, however on reflection we agree with Ofgem's assessment that all solutions reduce cost reflectivity of TNUoS charges, to varying extents.

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- We have provided extensive analysis of the impact on TNUoS of all CMP444 options in the workgroup report and do not have any further analysis to provide. We welcome the call for further evidence from generators/developers on how escalating TNUoS costs affect and/or have affected their ability to compete.
- Now that we have clarity on the REMA decision, with delivery of the Reformed National Pricing package targeted in 2029, we agree with Ofgem's assessment that a temporary cap and floor for this short period of time may have a limited impact on investment decisions in the upcoming CfD allocation rounds.

We look forward to engaging with you further. Should you require further information on any of the points raised in our response please contact Niall Coyle, Senior Commercial Code Change Lead, at [niall.coyle@neso.energy](mailto:niall.coyle@neso.energy).

Yours sincerely

Penny Garner

Head of Market Frameworks

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## Appendix 1 Consultation Question Responses

**Question 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 previously assessed CMP444 as neutral with regards to cost reflectivity, however on reflection we agree with Ofgem's assessment that all CMP444 options reduce cost reflectivity. However, we believe WACM5 does so to a lesser extent by retaining a relative price signal between zones in Northern GB. This solution still dampens the locational signal, by applying a scaling factor that reduces the differential between zones, but a differential remains, nonetheless. Our analysis shows that all other options would result in equal charges in zones 1-12 by 2030, which may result in inefficient siting decisions for new generation and increased overall system costs.

**Question 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.**

We have provided extensive analysis of the impact on TNUoS of all CMP444 options in the workgroup report and do not have any further analysis to provide. However, we welcome the call for further evidence from generators/developers on how escalating TNUoS costs affect and/or have affected their ability to compete.

We note that the CMP444 legal text does not include an end-date or sunset clause for the proposed cap and floor, so when viewed in isolation could be considered as enduring. However, we recognise in the broader policy context that the intervention is intended to be temporary until the reforms through the REMA programme are implemented. Following the REMA decision, with delivery of Reformed National Pricing targeted in 2029, we agree with Ofgem that a temporary cap and floor for this short period of time may have a limited impact on investment decisions in upcoming CfD allocation rounds.

**Question 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 recognise that cost-reflectivity is a core principle of the TNUoS charging methodology, ensuring that regional charges signal the relative cost implication of connecting to different parts of the transmission network. However, we believe that this principle must be balanced against the practical usefulness of those signals and their impact on market outcomes. While locational signals should support efficient generation and demand siting decisions, volatile and unpredictable charges may undermine investor confidence, especially in regions where charges are projected to escalate significantly.

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We do not have any further analysis to provide with respect to impact on competition, therefore cannot comment on whether any of the options achieves a better balance of cost-reflectivity and competition, but we welcome input from generators/developers on this matter.

**Question 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 agree with Ofgem's assessment that all CMP444 options are neutral with respect to ACO (f). NESO's analysis did not identify any direct conflict with transmission developments or ISOP business planning.

**Question 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.**

We agree with Ofgem's conclusion that CMP444 options are neutral in terms of compliance with Electricity Regulation and relevant legally binding decisions.

**Question 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 acknowledge that all CMP444 options may introduce marginal complexity, with an additional step added to the TNUoS tariff setting process. WACM5 may require additional administrative effort due to its floating cap and floor mechanism that is applied in two distinct steps. Nonetheless, we consider this manageable and not a significant barrier to implementation.

**Question 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.**

Taken collectively, we agree with Ofgem's assessment that all CMP444 options are negative against ACO (e), marginally negative against ACO (h), and neutral against the other ACOs. However, we welcome further analysis from developers/generators on the impact on competition of escalating TNUoS charges.

**Question 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.**

We do not believe that CMP444 would have any adverse impacts with respect to Ofgem's principal objective and/or wider statutory duties.