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Attn: David Jones, Senior Policy Manager
Electricity Transmission Network Charging
Ofgem
Delivered to: tnuosreform@ofgem.gov.uk

11 August 2025

Dear David,

Ocean Winds, with a 6GW portfolio of offshore wind projects in the UK, has long been involved in efforts to reform the Transmission Network Use of System (TNUoS) charging regime. As the largest offshore wind operator in Scotland, as well as a developer looking to deliver multiple ScotWind projects in the coming years, we understand the very immediate and material implications of the volatility, unpredictability, and escalation of TNUoS charges.

We agree with the concerns laid out in Ofgem's September 2024 open letter¹: the TNUoS trends are quite alarming and near-term intervention to provide greater investor confidence is required. As stated by Ofgem, TNUoS charges are, *"...creating challenges for critical investment and reinvestment decisions being made in the next few years to reach a clean power system by 2030"*. Ofgem continues to state that these objectives *"...will be best achieved by reducing uncertainty around the future range of TNUoS charges, particularly in Northern GB where projected charge increases published by NGENSO last year were particularly high and not necessarily aligned with our long-term TNUoS policy direction"*.

The level and volatility of TNUoS charges not only undermines the business case for future projects in the North, but they threaten the continued operation of existing projects which have no means of responding to the escalating charges. Intended to be a long-run, cost-reflective investment signal, TNUoS is at the brink of sending non-cost reflective operational closure signals to Northern Generators. This is fundamentally at odds with the principal objectives of transmission charging and is delivering a signal that runs counter to the broader clean energy, just transition, and strategic planning objectives governing the UK's energy system.

ScotWind and northern Scottish projects are required to deliver Government's Clean Power by 2030 (CP30) objectives. Given that the northeast of Scotland has been at the centre of the UK's oil and gas industry for over forty years, there is substantial resource and industry expertise that should be tapped into to help deliver these clean power objectives. However, should TNUoS continue to signal against the continued operation and further development of renewable energy in Scotland, these ambitions will be jeopardised.

Charging levels have already been allowed to escalate beyond all reasonable assumptions for our Moray East and Moray West projects, which made good faith investment decisions based on

¹ [Open Letter: Seeking industry action to develop a temporary intervention to protect the interests of consumers by reducing the uncertainty associated with projected future TNUoS charges](#)

reasonable TNUoS outlooks in 2017 and 2022 respectively. TNUoS, which is intended to be a locational investment signal, is already stripping value from these assets which are only a few years into their operational life. These assets have ownership and financing arrangements that involve a broad range of investors whose sentiment towards the UK market is important, particularly at a time where the UK is seeking to enable investment at scale across generation and networks. Given these challenges, and the level of uncertainty around future market arrangements, we welcomed the development of an interim TNUoS Cap and Floor.

While blunt, a Cap and Floor instrument could help prevent further significant devaluation of the operational Scottish energy fleet while longer-term efforts to reform the signal can be brought forward. Additionally, there are significant system benefits and consumer savings on the table that should be duly considered by Ofgem in making a final decision on this modification. In analysis done by Aurora Energy Research (2025), the Cap and Floor proposals represented up to £16 billion in consumer savings between 2026-2050.²

Ofgem's minded-to decision to reject the Cap and Floor proposals is founded on the assumption that, *"The likely effect of all of the proposals would therefore be to prevent the charging of the tariffs which would apply under the status quo, which is intended to be cost-reflective"*. However, we contend that the status quo charges are not cost reflective, specifically for existing projects.

One of the core objectives of Ofgem's TNUoS Task Force, launched in 2022, was to assess the cost reflectivity of the current methodology and identify improvements.³ Ocean Winds actively participated in this process, collaborating with industry to pinpoint areas where the methodology fails to reflect actual costs. This work has already led to multiple Connection and Use of System Code (CUSC) modifications, many of which are still in development, that provide clear evidence of defects in the charging framework.⁴ These ongoing changes make it impossible to accurately judge the cost reflectivity of the current system; Generators are effectively left guessing their final charges until the modifications are resolved. It is therefore flawed to argue that any measure reducing charges must be "non-cost reflective" when the baseline charges themselves are acknowledged as defective and under review.

Additionally, in the CMP444 minded-to decision, Ofgem state: *"Wider charges are intended to reflect the incremental costs that a particular type of generator in a particular part of the country would likely confer to the system as compared to a generator connecting in a part of the country where the TO would incur no additional cost."*

However, how can cost reflectivity be maintained when identical TNUoS charges are applied to both older and newer assets of the same type and capacity within the same zone? Older assets cannot be conferring equal costs to those of new assets that require additional network capacity to connect. Thus, existing operational generation projects are, in effect, unfairly burdened with paying for new network that is required to connect future generation—without being able to reliably predict or abate these costs. This is fundamentally non-cost reflective.

² https://www.scottishrenewables.com/assets/000/004/717/FINAL-TNUoS_proposal_consumer_impact_under_2030-20250429-ISSUE_original.pdf?1746046850

³ [Transmission Network Use of System Charges – a Task Force Update](#)

⁴ For example, the Task Force found that the choice of reference node used in the TNUoS methodology is arbitrary, rather than having been evidenced to be cost reflective. This defect is being addressed in CMP423: Generation Weighted Reference Node, which was proposed in 2023 and was out for Workgroup consultation in July 2025.

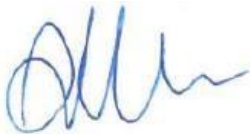
We acknowledge that a Cap and Floor mechanism is not altering the charging methodology to structurally improve the cost reflectivity of TNUoS charges. However, we argue that the resulting dampening of charges makes the relative value of TNUoS charges more cost reflective, especially for existing assets. Since the Cap and Floor mechanism is demonstrably not the preferred approach by Ofgem, other proposals that seek to improve cost reflectivity within the charging methodology, such as CMP432, should be duly considered by Ofgem to help deliver a fair outcome for assets which are increasingly burdened by costs and uncertainty associated with new projects connecting.

We welcome that many of the core arguments outlined above are included in Ofgem's recent open letter on reforming network charging signals.⁵ However, existing assets which took investment decisions in good faith years ago should not continue to be perversely penalised until more comprehensive charging reform can be devised.

As highlighted by Ofgem in their September 2024 open letter, projects need certainty urgently. It is now of the utmost importance that the other near-term intervention, CMP432, be fully considered and decided on expeditiously to keep TNUoS in check while longer-term reforms are developed over the coming years as part of the broader suite of market reforms.

Please find our response to the consultation questions below. We welcome any further engagement should it be of interest to you and your team.

Best,

A handwritten signature in blue ink, appearing to read 'Adam Morrison', is positioned above the printed name.

Adam Morrison, *UK Country Manager*

Ocean Winds

⁵ [Open Letter: Reforming network charging signals to align with the Government's decision on the future design of Great Britain's electricity system](#)

Consultation Questions:

1. To what extent do you agree with our assessment of the impacts of CMP444 options on ACO (e) (cost reflectivity)? Please provide your detailed rationale.

Ofgem's minded-to decision to reject the Cap and Floor proposals is founded on the assumption that status quo TNUoS charges **are** cost reflective: *"The likely effect of all of the proposals would therefore be to prevent the charging of the tariffs which would apply under the status quo, which is intended to be cost-reflective"*. However, we argue that the status quo charges **are not** cost reflective, specifically for existing projects.

Status quo TNUoS contains non-cost reflective components:

One of the core objectives of Ofgem's TNUoS Task Force, launched in 2022, was to assess the cost reflectivity of the current methodology and identify improvements.⁶ Ocean Winds actively participated in this process, collaborating with industry to pinpoint areas where the methodology fails to reflect actual costs. This work has already led to multiple Connection and Use of System Code (CUSC) modifications, many of which are still in development, that provide clear evidence of defects in the charging framework.⁷ These ongoing changes make it impossible to accurately judge the cost reflectivity of the current system; Generators are effectively left guessing their final charges until the modifications are resolved. It is therefore flawed to argue that any measure reducing charges must be "non-cost reflective" when the baseline charges themselves are acknowledged as defective and under review.

TNUoS is identically charged for existing and new projects:

In the CMP444 minded-to decision, Ofgem state: *"Wider charges are intended to reflect the incremental costs that a particular type of generator in a particular part of the country would likely confer to the system as compared to a generator connecting in a part of the country where the TO would incur no additional cost."*

However, how can cost reflectivity be maintained when identical TNUoS charges are applied to both older and newer assets of the same type and capacity within the same zone? Older assets cannot be conferring equal costs to those of new assets that require additional network capacity to connect. Thus, existing operational generation projects are, in effect, unfairly burdened with paying for new network that is required to connect future generation – without being able to reliably predict or abate these costs. This is fundamentally non-cost reflective.

2. Do you agree with our assessment of the impacts of CMP444 options against ACO (d) (competition between generators)? Please provide your rationale.

Ofgem's decision does not include assessment of how the current status quo TNUoS charges impact competition. Current TNUoS levels, combined with and the risk of volatile charges, negatively impact competition because generators located in high and low charging zones face significantly greater cost exposure than those in middle TNUoS zones. This represents a barrier

⁶ [Transmission Network Use of System Charges – a Task Force Update](#)

⁷ For example, the Task Force found that the choice of reference node used in the TNUoS methodology is arbitrary, rather than having been evidenced to be cost reflective. This defect is being addressed in CMP423: Generation Weighted Reference Node, which was proposed in 2023 and was out for Workgroup consultation in July 2025.

to market entry for projects in certain geographies, creates circumstances where avoidable risk premia in market participants' bids are almost inevitable and then passes resultant increased risks and costs through to consumers via the CfD.

While the recent announcement by the Department for Energy Security and Net Zero (DESNZ) that it will introduce separate clearing prices for Scottish offshore wind projects in Allocation Round 7 (AR7) is an attempt to reduce consumer harm due to TNUoS-driven CfD clearing dynamics, it does nothing to address the underlying defects causing this problem. Additionally, separate clearing prices only applies to offshore wind; onshore wind (and other technologies) in Scotland could take a conservative approach to TNUoS, baking in a large risk premium, and clear their respective CfD pots up. Additionally, the difference in TNUoS charges with Scotland (TNUoS zones 1-12) is still significant, which will allow this consumer impact to persist. These wider system costs, and the cost of greater risk that will come with the current level of TNUoS uncertainty, must be factored into Ofgem's competition (and consumer) impact considerations.

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.

In addition to the points raised in Questions 1 and 2, we disagree with Ofgem's assertion that the current TNUoS charging regime creates, "*...a level playing field where parties face charges that reflect the outcomes of their commercial decisions to site in one location over another*". The cost exposure of changing signals in the north (and exposure to changing subsidies in the south) introduces a greater amount of risk that must be accounted for than Generators in central charging zones. Projects in zones which experience much greater volatility, and must factor in the immense uncertainty of charges into CfD bids, are negatively impacted by TNUoS.

4. To what extent do you agree with our assessment of CMP444 options against ACOs (f)? Please provide your detailed reasoning.

We agree that impacts on ACO (f) is neutral.

5. To what extent do you agree with our assessment of CMP444 options against ACOs (g)? Please provide your detailed reasoning.

We agree that impacts on ACO (g) is neutral.

6. To what extent do you agree with our assessment of CMP444 options against ACOs (h)? Please provide your detailed reasoning.

While the implementation of any Cap and Floor mechanisms would add some administrative overhead, on whole we believe that "marginally more complexity" should not be sufficient rationale to reject this modification. We agree that some WACMs (WACM4 and WACM5) have a greater degree of complexity compared to the other 6 proposals and could require some additional administration.

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.

As discussed in Questions 1 and 2, there is a lack of consideration given to TNUoS status quo, and rather an inherent assumption that the current charging regime *is* cost reflective and *is* beneficial to competition. There is a fundamental need to challenge this assumption. Without understanding and addressing flaws within the underlying principles, this is an insufficient baseline to assess change proposals against.

We support the wider TNUoS reform efforts that will make up a central pillar of the UK's Reformed National Market. However, forthcoming change – which remains years away – is insufficient to address the current present insufficiencies of TNUoS for existing assets (and for projects looking to take investment decision before longer-term market reforms are implemented). The UK is working towards creating a centrally planned energy system, and market signals must align with these ambitions. Allowing broken locational signals to persist and leaving existing assets exposed with no means of responding, adapting, or recovering lost value cannot be allowed to continue in the interim. This, on whole, is harmful to the UK's energy future.

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 urge Ofgem to recognise the wider system impacts of TNUoS on consumers and the serious risk of deterring investment in both operational and future Scottish projects.

Independent analysis by Aurora Energy Research, co-commissioned by Ocean Winds, the West of Orkney Wind Farm, and Northland Power, found that the proposed Cap and Floor reforms could deliver up to £16 billion in consumer savings between 2026 and 2050.⁸ These savings arise from addressing the distortions caused by current locational charging—where Scottish projects, accounting for higher and volatile TNUoS costs, set the clearing price for CfD auctions, while southern projects benefit from negative TNUoS zones. Importantly, Aurora's analysis only considers offshore wind, making it a conservative estimate, as similar cost patterns affect other technologies. Consumer costs that are tied to the CfD are significant and must be analysed.

Ofgem should also quantify the cost of inaction. Without near-term TNUoS reform, Scotland risks squandering the unique opportunity to leverage its world-class energy supply chain—built on decades of oil and gas expertise—to develop, construct, and operate clean energy projects. A steady pipeline of Scottish project will strengthen local economies, secure high-value jobs, and enable a just transition for the energy industry. Continuing TNUoS uncertainty risks an investment hiatus in Scotland, with significant economic and social consequences. These risks, and the lost opportunity to deliver long-term consumer savings, must be fully considered when assessing this and other TNUoS reform proposals.

⁸ https://www.scottishrenewables.com/assets/000/004/717/FINAL-TNUoS_proposal_consumer_impact_under_2030-20250429-ISSUE_original.pdf?1746046850