

David Jones  
Senior Policy Manager  
Ofgem  
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Canary Wharf  
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E14 4PU

11 August 2025

Dear David,

**Consultation on Ofgem's minded-to decision in respect of CMP444**

Thank you for the opportunity to comment on this consultation.

ScottishPower Renewables ('SPR') is part of ScottishPower which is a major UK energy company with renewable generation, retail supply and network interests. We are a leading UK developer and operator of wind power, and part of the Iberdrola group, the world's leading renewables generation developer. ScottishPower is the UK's first major integrated energy utility to be generating 100% renewable electricity with SPR managing 41 operational windfarm sites of over 3 GW installed capacity throughout the UK, as well as a substantial development portfolio of offshore and onshore wind, solar and battery storage projects.

Building on our 714 MW East Anglia ONE offshore wind project, SPR has ambitious offshore wind development plans, with work already underway on taking forward offshore wind projects comprising the East Anglia Hub amounting to around 3 GW. We also have seabed rights to develop three new offshore windfarms (including two floating projects) off the coast of Scotland, with a total capacity of 7 GW.

We recognise Ofgem's overarching objectives in arriving at the current minded-to decision and understand its current position with respect to CMP444. However, we believe the extensive industry engagement on CMP444 — including the development of seven WACMs and broad support for WACM1 — warrants further consideration. We continue to see value in a temporary cap and floor mechanism as a proportionate and practical solution to improve short-term predictability and fairness in the charging framework, prior to the implementation of the Reformed National Pricing (RNP) package with delivery estimates of 2029. We encourage Ofgem to revisit the principles relating to uncertainty, volatility, and predictability set out in its September 2024 open letter.

Our assessment of the relevant objectives is as follows:

- **ACO (e):** While we recognise Ofgem's concerns around locational signals, we consider the impact of CMP444 on cost reflectivity to be more multifaceted. We believe the potential benefits merit further consideration as the temporary cap and floor could be implemented before 2029 and may provide more stable investment signals by limiting the extremes of the relative signal.
- **ACO (d):** We believe CMP444 better facilitates effective competition by reducing barriers to entry, supporting efficient siting, and encouraging investment in renewable-rich regions. This addresses regional disparities in charges without undermining cost signals and instead moderates extremes that could otherwise risk the delivery of CP2030 targets, particularly in light of FES 2025 offshore wind projections.
- **Cost-reflectivity vs competition:** We support cost-reflectivity in principle but believe strict application risks distorting competition. A hybrid approach — maintaining cost signals within a fair range — would better balance efficiency, fairness, and long-term investment certainty.
- **Principal objective:** CMP444 aligns with Ofgem's statutory duties by helping to protect consumers from potential increases in CfD Strike Prices, supporting continued investment in net zero infrastructure, promoting fairer competition, and encouraging efficient system use. CMP444 can offer a balance between cost-reflectivity with predictability and proportionality.

Please do not hesitate to contact me (joseph.dunn@scottishpower.com) should you have any questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Joseph Dunn', with a stylized, cursive script.

**Joe Dunn**  
Head of Grid & Regulation

## **Questions**

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

*ACO (e) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and in accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C11 requirements of a connect and manage connection);*

SPR recognises Ofgem's view that CMP444 could be interpreted as negatively impacting ACO (e) by reducing the severity of locational signals. However, we consider the impact to be multifaceted and believe the relative impact should be considered.

While ACO (e) does not directly reflect TNUoS charge levels, reducing volatility through a temporary cap and floor could support more stable investment signals and reduce the potential for inefficient market responses due to the severity of the relative signal. This may, in turn, lower the long-term system costs such as constraint and balancing actions — areas ACO (e) is intended to capture.

SP remains **neutral** on the overall impact for ACO (e) but believes the potential for CMP444 to indirectly support efficient system operation merits further consideration.

### **2. Do you agree with our assessment of the impacts of CMP444 options against ACO (d)? Please provide your rationale. If you have 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.**

*ACO (d) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;*

SPR considers that CMP444 would better support the delivery of ACO (d), by facilitating timely and efficient access to the network. By reducing TNUoS volatility, CMP444 lowers barriers to entry, supports investment decisions and therefore encourages efficient siting — all of which align with the ACO (d)'s objective.

We do not believe CMP444 undermines locational signals, instead it is intended to moderate extremes that risk deterring investment in areas critical to delivering the UK's clean power targets – a key objective of Ofgem. The current volatility, particularly in northern zones, threatens the viability of both new and existing projects, while southern credits are less likely to materially influence investment decisions.

Introducing a temporary cap and floor before investment decisions are made would reduce regional imbalances and provide the certainty needed to unlock the generation investment, which is critical given CP2030 targets, particularly given FES 2025 projections assume we will not reach the OFW 50GW target.

CMP444 does not offer discounts but protects against extremes, supporting competition in a more coordinated and efficient system.

**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.**

SPR recognises the importance of cost-reflectivity in network charging but believes that, in its current form, it risks undermining competition — particularly in the North.

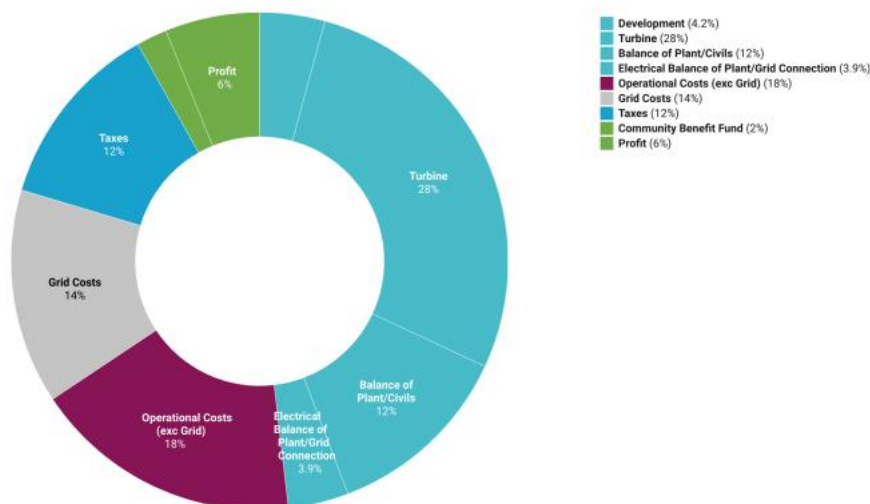
While high TNUoS charges may be cost-reflective, they make investment decisions more difficult (relatively) in areas critical to decarbonisation, creating a regional imbalance that distorts competition. Cost-reflectivity could skew investment decisions toward lower-cost zones, even if they are suboptimal from a whole-system or sustainability perspective.

We believe it is important to consider the principle of cost-reflectivity in light of the North-South gradient challenge. The latter can be addressed through mechanisms like a temporary cap and floor without abandoning cost-reflective principles altogether.

Escalating TNUoS charges risk existing and future project viability and reducing market diversity. A hybrid approach could be an option to maintaining cost signals within a fair and reasonable range, balancing efficiency, fairness, and long-term competition.

We wish to highlight the analysis completed by [Biggar Economics in 2024](#), which indicates that TNUoS charges account for approx. 14% of total project costs – more than twice the typical profit margin of an onshore windfarm. A 50% increase in TNUoS could render such a project financially unviable.<sup>1</sup>

**Distribution of income for an onshore wind farm (CAPEX Split)**



Furthermore, in assessing the potential impacts of different TNUoS trajectories across its portfolio, SPR has identified material implications for several projects. For the zones in the North, the introduction of an appropriate cap presents a clear upside. In contrast, zone 18 projects are only marginally affected. These findings underscore the importance of a balanced and equitable approach to cost allocation under CMP444, particularly in light of current regional disparities.

<sup>1</sup> ScottishPower Renewables has c. 8.9GW of capacity within the development and construction pipeline.

**Table 1: Change in rentability (basis points – bps) per Cap & Floor proposal**

<b>Zone</b>	<b>WACM1 (bps)</b>	<b>WACM5 (bps)</b>	<b>WACM7 (bps)</b>
10	5 to 10	12 to 20	-5 to -10
11	2 to 5	10 to 14	-2 to -5
1	50	25	30
18	-1 to -1.5	0.02 to 0.05	-2.2 to -2.5

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

*ACO (f) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business;*

SPR are aligned with Ofgem's assessment of CMP444 against ACO (f).

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

*ACO (g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency;*

SPR are aligned with Ofgem's assessment of CMP444 against ACO (g).

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

*ACO (h) Promoting efficiency in the implementation and administration of the system charging methodology;*

We do not believe the application of a temporary cap & floor would materially impact ACO (h).

**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.**

ScottishPower Renewables acknowledges Ofgem's current position but given the extensive industry engagement that has taken place on CMP444, we believe it merits further consideration. The development of 7 WACMs through multiple workgroups – with WACM1 receiving the most support in consultation responses – reflects a broad consensus across stakeholders.

Furthermore, various publications, including Aurora Energy Research's report from April 2025<sup>2</sup>, present an assessment of TNUoS charges under various CMP444 cap & floor

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<sup>2</sup> [Aurora report](#)

scenarios and their impact. This demonstrates that increased certainty in transmission charges can contribute to more competitive CfD strike prices and cost savings to consumers.

Similarly, the updated Investability and Scottish Wind report<sup>3</sup> by REGEN, published in June 2025, strongly suggests that implementing a cap & floor mechanism for TNUoS charges could significantly improve a project's investability and competitiveness.

Therefore, we continue to see value in a temporary cap & floor mechanism as a means of providing greater investment certainty. While we recognise Ofgem's evolving view since the September 2024 open letter, we encourage Ofgem to revisit the principles relating to uncertainty, volatility, and predictability discussed in that communication, as each continues to present a significant challenge for industry in the context of enduring reforms.

Setting aside CMP444 at this stage risks overlooking significant industry effort and opportunity to improve predictability and fairness in the charging framework at a critical time for long-term investment.

We welcome the decision to pursue a more enduring solution through the RNP and believe that a temporary intervention such as CMP444's WACM1 can provide much-needed clarity and stability for investors ahead of RNP's delivery in 2029. Importantly, this measure could also help inform and shape the future direction of transmission charging reform that RNP aims to deliver.

**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 believe that CMP444 supports Ofgem's principal objective (to protect the interests of existing and future consumers) by promoting affordability, security of supply, decarbonisation and effective competition.

A temporary cap and floor solution on TNUoS charges would:

- **Protect consumers** from extreme volatility, reducing the risk of an increase in strike prices that get passed through to bills.
- **Support long-term investment** by providing greater short-term predictability, particularly in renewable-dense but high-cost regions like Scotland — helping to meet net zero and security of supply goals.
- **Promote fairer competition** by addressing regional disparities that currently distort the playing field between generators.
- **Encourage efficient system** use by maintaining cost signals while avoiding over-penalisation of certain zones.
- **Reflect regulatory best practice**, offering a proportionate and transparent approach that balances cost-reflectivity with fairness and long-term system efficiency.

In addition, several risks have been identified if this solution is not progressed further:

- **Increased investor uncertainty**, particularly in regions where volatile charges jeopardise strategic projects needed for CP2030.
- **Higher strike prices** in CfD auctions, as unpredictable transmission costs are factored in by developers.

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<sup>3</sup> [Investability and Scottish wind - an update](#)

- **Misalignment with net zero goals** as volatile transmission charges become a barrier to deployment in certain areas.
- **Reduced competition**, as projects in high-cost zones are disadvantaged making them unable to compete viably in CfD allocation rounds.

In our view, CMP444 presents a practical and proportionate solution that aligns with Ofgem's statutory duties and long-term policy goals.