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Dear David

Ref: Consultation on the minded-to decision in respect of CMP444

This is a non-confidential response on behalf of the West of Orkney windfarm by Offshore wind power Ltd (OWPL) to the above consultation.

The West of Orkney Windfarm is a highly competitive, fixed bottom offshore wind farm being developed around 30km off the west coast of Orkney and 25km from the north Sutherland coast. With an expected capacity of c.2GW, first power scheduled for 2029 and a capital commitment of over £6bn in the north of Scotland, the project will be capable of powering the equivalent of more than two million homes once operational. The West of Orkney Windfarm is being developed by our team based in Edinburgh, Aberdeen and Orkney, led by specialist offshore wind business Corio Generation (part of Macquarie Group), global multi-energy company TotalEnergies, and Scottish offshore wind developer RIDG.

Response Summary

Renewable developers in Scotland require certainty of the transmission network costs they will face to give sufficient investor confidence to reach a Financial Investment Decision for their new projects. CMP444 was introduced to support this investor confidence but Ofgem's minded to position has failed to deliver on this objective. Ofgem's minded-to decision highlighted a considerable movement by Ofgem away from their stated position and intentions of their 30 Sept 2024 Open Letter. which states:

"In our view, a temporary intervention is expected to be particularly helpful to reduce investment uncertainty and protect the interests of consumers. As noted above, very high projected TNUoS levels in Northern GB is a concern for stakeholders, and whilst those stakeholders may have differing views as to how TNUoS charges should be limited, there was consistent feedback in the responses to the September 2023 letter that supports some form of intervention.....

.....We currently consider that a single GB cap and floor following these parameters could mitigate any inefficient locational signals that TNUoS is projected to send by the end of the decade, resulting in higher expected consumer benefits compared to current arrangements."

Ofgem's minded-to decision contradicts this position and fails to provide the support to investor confidence they had rightly intended. This decision significantly undermines the delivery of CP30 targets to the detriment of consumers.

The more recent Ofgem Open letter of 21 July 2025 exacerbates this announcing wholesale charging reform will be introduced in 2029:

“The Government plans to publish a Reformed National Pricing Delivery Plan later this year, including a timeline with key activities for implementing reformed national pricing, with TNUoS reform to be delivered by 2029.”

This establishes a period of increased uncertainty in transmission charging until that milestone is reached. The Cap and Floor proposal if implemented, would provide a clear guard rail for investors ahead of the 2029 watershed.

WACM 1 provides the best option to achieve this, compared to the original and other WACMs. WACM1 best facilitate CUSC objectives f) & h) because it will set the most appropriate cap and floor compared to the original and other WACMs and is neutral against CSUC objectives g), h) and i).

If the Cap and Floor mechanism is not implemented by Ofgem, other modifications that seek to improve cost reflectivity within the charging methodology particularly CMP432 and CMP423 should be urgently and positively determined on by Ofgem to support investor confidence in pursuit of CP30 target.

Responses to the consultation 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.

We do not agree to any extent that Ofgem have assessed the impact of the options on ACO (e) appropriately. TNUoS payments to southern generators are not cost reflective of their use of the transmission system. Therefore, existing TNUoS tariffs are not currently cost reflective and are forecast to become less so in the NESO 10-year projections. It is our assessment that because all the options constrain the wider tariffs this improves the cost reflectivity of the tariffs, and all the options are positive against ACO (e).

The reasons that the existing tariff methodology is no longer achieving a cost reflective outcome can be traced to the impact of the step change in tariffs caused by the implementation of the Targeted Charging Review in 2021/22. This was explained by NESO (then ESO) in 2021:

“The revenue to be recovered from generators is £774m, an increase of £399m from 2020/21 and a decrease of £39m since the Draft tariffs. This increase from 2020/21 is mainly driven by the implementation of TGR. Local tariffs have been removed from the EU generation cap calculation. The generation residual has been removed from TNUoS charge, but to ensure compliance with the EU generation cap, an adjustment element has been introduced instead.” (NESO final TNUoS tariff report for 2021/22)

That change clearly had the effect of amplifying the locational signal to unreasonably disadvantage northern generators, undermining the cost reflectivity of the charging methodology.

The limiting regulation further undermines cost reflectivity: By sharing the adjustment tariff across all generators, southern generators can move into a credit position. It is inherently not cost reflective for a User to receive income for connecting to and making use of the transmission system. Every User should be exposed to the actual costs incurred by TOs of operating and maintaining the network rather than being subsidised by other generators.

The reduction in forecast generation revenue collection that would be achieved by the introduction of any of the proposals, reduces the generator adjustment credit which in itself demonstrates that a more cost reflective tariff model is being achieved.

Ofgem are also wrong to assert that using less than the full set of five-year data (para 4.20) is less cost reflective. Doing so, removes the step increase in charges that materialises in 2029/30 that this proposal is trying to protect against. This is the critical point as which the exiting cost reflective methodology fails to deliver an appropriate outcome. Removing this year from the calculations of the cap and floors charges is essential to avoid this negative impact which unfairly penalises more Northern generators.

Similarly, Ofgem's assessment that excluding data from the existing tariffs is less cost-reflective (para 4.27) is also flawed, because of the flaws in the current methodology explained above.

Ofgem's view (para 4.33) that by reducing the volume of the location signal by reducing the delta in zonal prices is reducing cost reflectivity. On the contrary reducing the delta is entirely the point of the proposals because of the flaws in the current methodology that are creating a non-cost reflective locational signal.

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.

We do not agree with Ofgem's minded-to position that the impact on ACO (d) is neutral (para 4.29).

The reduction in overall generation revenue collection all the CMP444 proposals achieve, reduces the generator adjustment credit which demonstrates a more cost reflective tariff model.

Rather than distort competitive CFD auctions, these proposals bring a balance to increasingly un-competitive auctions by reducing the impact of a TNUoS charging methodology that is unreasonably, inappropriately and inaccurately allocating credits to some generators and unaffordable charges to others.

Implementing these proposals would provide a positive impact on consumer prices: Reduction in lower generation revenues will be reflected in lower CfD strike prices providing lower prices to consumers as highlighted in the Aurora report "Consumer savings under TNUoS reform proposals" (commissioned by Ocean Winds, West of Orkney and Spiorad na Mara in April 2025) highlights that the CMP 444 proposal WACM 1, if implemented could achieve the highest impact to the other proposals, with consumers saving £16.2bn over the period between 2028-2050.

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.

Cost reflectivity in the short term is important to competition only where it is appropriately calculated. The current charging methodology is not achieving a cost reflective outcome. Ofgem's assertion that the baseline existing charging methodology is cost reflective, is incorrect and is in fact undermining competition.

In the medium-term cost reflectivity must support the unprecedented level of investment required to catch up on the lack of historic network infrastructure investment and facilitate a low carbon system. Legacy charging rules are not fit for purpose to do this, and appropriate cost reflective parameters need to be identified to support a rapid build out of infrastructure that will save consumers billions. For example, DESNZ have calculated the cost of curtailment of a three-year delay to network build is up to £8bn per annum (REMA Second consultation - March 2024). The cost reflectivity of transmission infrastructure must develop to meet the needs of the future electricity system. A temporary cap and floor as proposed by Ofgem is an essential measure to support this as they themselves set out in their September 2024 Open letter:

"We are keen that the required pace and timing of generation investments to meet our 2030 goals is not compromised by the TNUoS regime, and that overall costs to consumers are kept as low as is possible. Our view is that a temporary cap and floor on wider TNUoS charges for generation would offer the most efficient type of intervention."

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

Ofgem are reasonable to conclude that the proposals are neutral in respect of ACO (f)

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

Ofgem are reasonable to conclude that the proposals are neutral in respect of ACO (g)

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

Against CUSC objectives h) WACMs 4 & 5 do not better facilitate this objective because they add complexity to the charging methodology and compared to the baseline which is inefficient. All other WACMs and original do better facilitate this objective because they bring more certainty and reduce volatility compared to the baseline.

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 do not agree with Ofgem's assessment of the CMP444 options collectively for the reasons explained in questions 1 & 2. In addition, it is our opinion that Ofgem have wasted industry time and effort undermined already fragile investor confidence by promoting this modification proposal initially and now backtracking completely with this minded-to position. Ofgem set expectations they have not followed through on and have lost an opportunity that could have supported Government CP30 ambitions, reduced customer bills and improved predictability and affordability of TNUoS charging for investors ahead of AR7.

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.

WACM 1 provides the best option compared to the original and other WACMs. WACM 1 best facilitates CUSC objectives f) & h) because it will set the most appropriate cap and floor compared to the original and other WACMs and is neutral against CSUC objectives g), h) and i).

In addition, WACM 1 was voted the best solution by the workgroup with 9 votes compared to 4 votes for WACM 7, 3 for the baseline, 2 for WACM 5 and 1 for WACM 3.

WACM 1 was also well supported in the workgroup consultation responses. WACM1 presents the best solution to address the defect and could lead to the better outcomes for consumers by facilitating lower energy costs through lower CfD prices.

Ofgem should rescind their minded-to position and support the implementation of WACM1.

Yours faithfully,



Alan Kelly

Title: Grid Commercial Lead