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

Wind2 and its sister company Solar2 are independently owned and specialist renewable energy developers focussed on onshore wind and solar PV in Great Britain. The founders of Wind2 & Solar2, together with their management teams have a substantial track record of onshore wind farm development throughout the UK. Responsible for the delivery of approximately 1GW of renewable energy through their involvement with RDC Partners and West Coast Energy (sold to Engie in 2014). Wind2 & Solar2 are working on the development of a significant pipeline of renewable energy projects in the UK with 35 staff based in our Head Office in Mold, Edinburgh, Perth, the Highlands and Wells in Somerset.

We welcome the opportunity to respond to your consultation on the minded to decision in respect of CMP444:

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.

Our view is that the impact of CMP444 on the ability of the transmission licensees to recover the costs they incur should not be much different to the current status quo. The WACMs proposed allow for a short term temporary change which is expected to cap some TUoS charges in the far north of Scotland and reduce the negative charges in the south of England but overall the costs recovered should be broadly the same.

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. If you have contemporaneous documents and/or 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 strongly supported Ofgem's proposal to introduce a TUoS cap and floor to help provide a temporary solution to the problem that TUoS charges are very unpredictable and highly volatile, pending an enduring solution. The current charging structure is not good for competition between generators as it makes development and investment decisions difficult in the north of Scotland in

particular because of the uncertainty and volatility of connection charges which are a significant operational cost. The additional certainty that CMP444 would provide over the first years of operation will help with investment decisions and should help reduce cost of capital and lead to lower bids into future CfD auction rounds, which will flow through to lower prices to consumers. We also see CMP444 as being extremely helpful towards achieving the CP30 target as it will impact the next few CfD auction rounds that are critical to achieving CP30. The current structure favours projects in regions with lower TUoS charges, which is clearly not good for competition between generators.

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.

As noted in response to Q1, our understanding is that CMP444 should not unduly impact the ability of transmission licensees ability to recover the costs incurred in operating the network. Our view is that CMP444 will bring clear benefits to competition between generators and this in turn will boost the competitiveness of near term CfD auctions to the benefit of consumers and to the benefit of the targets set out in CP30. Our feeling is that the possible impact on Capacity Market auctions by reducing negative TUoS charges in the south of England are likely to be a much lower order of magnitude compared to the expected reduction in clearing price for CfD auctions, given the scale of CM payments to renewables (mainly solar) versus CfD payments to renewables. Ofgem's minded to decision suggests that retaining the current structure of TUoS charges should be prioritised over optimising the outcome of pending CfD auctions and the achievement of the CP30 target. We do not agree with this approach given the flaws of the current methodology which have led to increasing volatility and unpredictability which is damaging the investment environment.

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.

ACO (f) considers whether CMP444, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business. Whereas Ofgem are neutral about whether CMP444 supports ACO (f), we would argue that CMP444 is supportive of achieving the CP30 target and all of the transmission licensees business plans have been directed towards achieving CP30 through the SSEP and the CSNP.

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 have no comment on whether CMP444 helps achieve ACO (g)

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.

ACO (h) considers whether CMP444 promotes efficiency in the implementation and administration of the charging methodology. We would suggest that the impact of CMP444 on administration of the charging methodology should be assessed as neutral given Ofgem's own assessment that the impact would be small and when the impact is considered in comparison with the likely benefits from reduced CfD clearing prices.

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.

Our view is that CMP444 is collectively supportive of the ACO objectives. CMP444 is a pragmatic short term initiative to address the problems of uncertainty and volatility of TUoS charges using the current methodology. Achieving the Government's clean energy goals and the CP30 plan needs early intervention to help support the success of the next few CfD auction rounds. CMP444 is a short term measure which will not interfere with the plans announced in Ofgem's Open Letter of 21 July 25 to develop an enduring solution to the known issues with TUoS charging by 2029, but our view is that the proposed short term measure is critical to the achievement of CP30 goals, as there is insufficient time to wait for the enduring solution.

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 would simply restate our view that CMP444 is an important short term intervention to address long standing concerns about the volatility and unpredictability of TUoS charging, which is impacting the ability to make investment decisions of generation projects in the north of Scotland. We see this negatively impacting pending rounds of CfD auctions through reductions in projects bidding in the auctions and through higher clearing prices.

Yours sincerely

Sarah L Smith
Managing Director

