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To interested parties

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Open letter: Our priorities for electricity transmission network charging code modifications

We are entering a significant period of network charging reform. Our Strategic Direction Statement[1] sets out the route for that reform, which is being taken forward through Reformed National Pricing (RNP).[2] Against that backdrop, we[3] need to focus Ofgem and industry resource on strategic reform, rather than progressing piecemeal changes to existing methodologies that could cut across it. This letter outlines our intended approach to prioritising transmission charging modifications.

Context

Great Britain's (GB) charging arrangements are in a period of substantial change. Through the RNP Programme, the Department for Energy Security and Net Zero (DESNZ) is redesigning GB's electricity market arrangements with support from Ofgem and the National Energy System Operator (NESO). RNP will be the main route to take forward fundamental changes to transmission charging using the new powers proposed in the Energy Independence Bill, once enacted,[4] rather than relying on the existing industry-led code modification process. In addition, we are progressing the possibility of introducing legacy and transitional arrangements (LATs)[5] to facilitate the transition to the new RNP arrangements.

[1] Second-preliminary-Strategic-Direction-Statement-for-industry-codes-2026.pdf
[2] Reformed National Pricing (RNP): delivery plan - GOV.UK
[3] References to the "Authority," "Ofgem", "we", and "our" are used interchangeable in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.
[4] Reformed National Pricing - GOV.UK
[5] Locational Charges and Regulatory Siting Levers Under Reformed National Pricing | Ofgem

The Connection Use of System Code (CUSC) sets out the charging methodologies for determining Transmission Network Use of System (TNUoS) and Balancing Services Use of System (BSUoS) charges. Under the existing industry-led process, industry parties can bring forward proposals to modify these arrangements. There continues to be a significant number of proposed CUSC Modification Proposals (CMPs), several of which materially interact with matters being considered under the RNP programme.

Progressing these modifications uses finite industry, policy and legal resource. It is therefore important that this resource is focused on changes that need to be progressed through the existing code process, rather than duplicating fundamental reform being taken forward through RNP.

We have given timely delivery of LATs the highest priority, because these arrangements will determine if and how existing assets transition from current charging arrangements into the enduring RNP framework. Proposed short-term changes to transmission network charging not aligned with the delivery of RNP will be deprioritised, unless they address an urgent and material defect or progression is likely in the interests of wider industry/consumers.

We will apply this approach to both the existing pipeline and future CUSC modification proposals. We therefore encourage parties considering new modification proposals to consider whether an issue requires resolution through the existing code process, or whether it raises a more fundamental question that is being considered through RNP.

We have clearly communicated this in the Second Preliminary Strategic Direction Statement[6], via the CUSC Panel[7] and Transmission Charging Methodologies Forum.

Transmission charging prioritisation

Code modifications with the Authority for decision will be divided into three categories. Further modifications not yet with us will also be assessed against these categories.

1. Urgent code modifications
2. Code modifications with limited interactions with charging reforms
3. Code modifications deprioritised due to interactions with charging reforms

1. Urgent code modifications

We will continue to prioritise code modifications granted urgency by Ofgem following a recommendation by the CUSC Panel. Urgent modifications are those addressing an imminent or current issue which, if not resolved urgently, could result in significant

[6] Energy codes: Strategic Direction Statement | Ofgem

[7] The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

commercial impacts, risks to system safety or security, or a breach of relevant legal requirements by parties. The CUSC Panel assesses requests against Ofgem's urgency criteria[8] and may recommend urgent treatment to the Authority.

The following code modifications are with the Authority for decision, have been granted urgency and these decisions will be given the highest priority:

Modifications	**Expected decision**
CMP474: *Fixed BSUoS Price Revision Mechanism*	Q1 2027
CMP475: *Amendment to the BSUoS tariff reset process*	Q1 2027

2. Code modifications with limited interactions with charging reforms

This includes modifications which are considered broadly aligned with the direction of RNP and which would not fundamentally alter the design of the existing charging methodology, and modifications that address discrete issues in the existing charging arrangements and do not materially interact with the fundamental design questions being considered through RNP.

Competing priorities, including a code modification appeal[9] we had to respond to, meant that we were unable to progress several decisions we initially planned to for the 2027/28 charging year. We are conscious this may have had an impact on stakeholders and intend to take those decisions in time for charging year 2028/29.

Progressing these modifications ahead of RNP would enable identified issues with today's existing arrangements to be addressed while limiting the risk of introducing changes that are subsequently superseded by the enduring reforms.

The following code modifications are currently with the Authority for decision. We consider that the matters they seek to address are sufficiently distinct from those being considered under RNP:

Modifications Pending Decision	**Expected decision**
CMP316: *TNUoS Arrangements for Co-located Generation Sites*	Q1 2027
CMP397: *Consequential changes required to CUSC Exhibits B and D to reflect CMP316 (Co-Located Generation Sites)*	Q1 2027
CMP469: *GC0186 Cost Recovery mechanism for CUSC Parties*	Q2 2027
CMP453: *To Bill BSUoS on a net basis at BSC Trading Units*	Q3 2027
CMP445: *Pro-rating first year TNUoS for Generators*	Q3 2027

[8] Ofgem: Code Modification Urgency Criteria
[9] RWE energy code modification appeal - GOV.UK

More precise Expected Decision Dates (EDD) will be published via the Ofgem Website[10] in due course. We may adopt a similar approach to future code modifications that propose a limited or targeted defect in the methodology, rather than changes concerning fundamental design of charging arrangements.

3. Code modifications deprioritised due to interactions with charging reforms

Significant changes to the existing transmission charging methodology are likely to require substantial resource from Ofgem, NESO and industry to develop and implement. In determining whether to progress such changes, the Authority must also have regard that such changes may potentially remain in place for only a limited period before being superseded by the enduring RNP arrangements, currently expected by the end of the decade.

Code modifications that materially interact with RNP are likely to concern fundamental aspects of the charging design that are also being considered through the RNP programme, rather than discrete defects. Progressing these changes separately could pre-empt, conflict with, or duplicate work undertaken through RNP. This may give rise to avoidable implementation costs, increased charging volatility and uncertainty for market participants, as well as the risk of successive changes to the same elements of the methodology within a relatively short period.

We will therefore deprioritise code modifications that materially interact with RNP related network charging changes. Deprioritisation should not be interpreted as a view on the importance or merits of the underlying issues but reflects our current view that those issues are more appropriately considered through the RNP programme.

Modifications with Ofgem for Decision Deprioritised due to RNP
CMP315: *TNUoS: Review of the expansion constant and the elements of the transmission system charged for*
CMP375: *Enduring Expansion Constant & Expansion Factor Review*
CMP423: *Generation-weighted Reference Node*
CMP440: *Re-introduction of Demand TNUoS locational signals by removal of the zero price floor*

Modifications in Progress Deprioritised due to RNP
CMP405: *TNUoS Locational Demand Signals for Storage*
CMP433: *Optimised Transmission Investment Cost model (OpTIC)*
CMP422: *Introducing the option to fix Generator TNUoS charges*
CMP460: *Improving Transmission Connection Asset Charging*

[10] Energy code timetable | Ofgem

Future prioritisation and engagement

We will apply the approach set out above to future CUSC modification proposals. We will continue to assess new code modifications as they are raised, including to the extent whether they materially interact with RNP. This assessment will inform their relative priority and whether progression should be deferred or deprioritised, consistent with our previous position[11]. We encourage industry, ahead of raising any proposals, to consider whether progressing additional changes to today's arrangements would further the interests of existing and future consumers in the context of RNP reforms, and seek feedback through the relevant industry forums. This does not preclude the progression of a modification where it seeks to address an urgent or material defect in the existing arrangements.

In our view, it is likely that industry's time and resources, as well as our own, would be best deployed in engaging on RNP related charging reforms.

We thank stakeholders for their engagement through the different dedicated groups[12] and encourage continued participation and/or monitoring of those forums. We expect to provide further direction on RNP in early 2027. We will also communicate our strategic priorities through future Strategic Direction Statements and engage with industry through the established CUSC forums.

[11] Our approach to prioritisation of electricity transmission network charging modifications | Ofgem
[12] Those include the Charging Transitional Arrangements Group & the Locational Charging Design Group

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