

Public

Workgroup Consultation Response Proforma

CMP432: Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to cusc.team@nationalenergygyso.com by **5pm** on 07 March 2025. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact:
cusc.team@nationalenergygyso.com

Respondent details	Please enter your details	
Respondent name:	Neil Dewar	
Company name:	NESO	
Email address:	Neil.dewar@nationalenergygyso.com	
Phone number:	07749 576 710	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input checked="" type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Workgroup, Panel or the industry for further consideration)

For reference the Applicable CUSC (charging) Objectives are:

Public

- a) *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;*
- b) *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 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);*
- c) *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*;*
- d) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and*
- e) *Promoting efficiency in the implementation and administration of the system charging methodology.*

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the Original Proposal and better facilitates the Applicable Objectives?	Mark the Objectives which you believe the Original solution better facilitates:
		Original <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>A - Negative</p> <p>The analysis provided by NESO for the 2025/26 tariff year illustrate that tariff changes resulting from the Modification proposal would be favourable to Northern Generators and would largely penalise Southern Generators.</p> <p>Any re-distribution of revenue amongst industry participants would be worse at facilitating competition than the baseline as there is no basis for the re-distribution it would trigger. The same applies to the</p>

Public

		<p>windfall gains and losses amongst consumers (via their Suppliers) in different regions.</p> <p>B – Negative</p> <p>NESO analysis on the impacts of removing the Locational Onshore Security Factor is presented in Annex 4 of the consultation; it notes that there would be an increase in the demand residual fixed charge of 3% as a result of this mod if approved, as there would be a swing of £51.98m from generation to demand as a class, comprised of the increase in revenue collected from demand as a class and a reduction in that collected from generation as a class. This means that consumers would be adversely impacted from this re-distribution of revenue if this mod were approved.</p> <p>C- Neutral</p> <p>D – Neutral</p> <p>E – Negative, because the Proposer’s solution would result in the removal of all CUSC references to Locational Onshore Security Factor. This will create an inefficiency in CUSC arrangements should it be determined that the Locational Onshore Security Factor is required at some point in the future so that another Modification was required to unwind CMP432. This would not be a good use of industry time.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>If CM432 is approved then NESO agree that this should be implemented at the commencement of the next Charging Year</p> <p>We note that in the work done on another pair of mods that are very akin to CMP432, in that if passed they affect the north-south TNUoS differential or “slope” of TNUoS, CMP315 and CMP375, phasing-in of the change was developed to avoid a “shock” (bearing in mind the seeds of CMP353). The approach there was to introduce 13% of the new value (the change, effectively) per year, so that across the first 5 years, half of the change would have</p>

Public

		been introduced; called a 5 year data half life. The proposer may wish to consider a similar approach to the implementation of CMP432, to avoid creating windfall winners and losers at too short a notice, as its final effect will actually be more material than CMP315/375 would introduce post-phasing, if passed.
3	Do you have any other comments?	<p>The legal text provided in the consultation document needs further exploration and development to understand if there are any consequential impacts to CUSC tariff calculations in Section 14</p> <p>The Proposers solution is to remove all references to the Onshore Locational Security Factor from CUSC, which would have the same effect as setting the Factor to 1 within CUSC.</p> <p>The expansion based ICRP model does not itself in its first steps, price in redundancy. To demonstrate this:</p> <p>If there were 100 times as many lines built as needed the flow on each line would be 1/100th, and this redundancy wouldn't be priced into the expansion-based TNUoS locational tariffs that are calculated, without applying an LSF multiplier.</p> <p>This is why the CUSC includes the LSF approach.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)</p> <p><input checked="" type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>
5	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms	Yes

Public

	and conditions held within the Code?	
--	--------------------------------------	--

Specific Workgroup Consultation questions		
6	Do you think there are any other approaches to reflecting the cost of security or is there a value other than 1 or 1.76 that is more appropriate. If you have any supporting evidence, please provide this?	Not appropriate for NESO to respond to this question
7	Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else?	Not appropriate for NESO to respond to this question
8	Do you have a view on whether the SECULF model is appropriate? Is enough information available to market participants?	NESO has provided a Guidance note on its website for industry to review the SECULF methodology which has not been questioned to our knowledge therefore we believe it to be satisfactory, but welcome industry views on this topic.