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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@nationalenergyso.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@nationalenergyso.com

Respondent details	Please enter your details	
Respondent name:	Nick Sillito	
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Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input 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:

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- 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>None are met.</p> <p>The proposal reduces cost reflectivity of the charges and therefore fails to meet (a), (b) and (c). It does not improve compliance with any binding decision, therefore (d) is neutral. Similarly, the proposal has no impact on the efficiency of administration of the changes and (e) is neutral</p>

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2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
3	Do you have any other comments?	<p>This proposal appears shows a misunderstanding of how network charging works and applies cost reflectivity. The ICRP model works out the minimum size transmission system to meet generation and demand, and works out the change in size of each circuit to meet a change in the net amount of generation and demand on each node on the system. However, the ICRP model only works out the size of the system without considering the security requirements (as covered in the SQSS). These security requirements mean that the system must be able to operate without any two circuits in service ('N-2'), and therefore circuits must have a greater capacity than required to meet flows on an intact network. The security factor is applied estimate the minimum required capacity of each circuit to meet the N-2 security conditions compared to the intact network flow. The Transmission System is designed to comply with the SQSS and therefore the model (ICRP with security factor applied) reflects the minimum investment required in the Transmission System.</p> <p>The ICRP model works out the "minimum" size of the system and ignores that transmission system investment is "lumpy" – actual investments add a block of capacity to the system based on the size of the asset. This means that there is often spare capacity on the network (because the real network is larger than the ICRP network), with the cost of the excess capacity being recovered via the residual charge.</p> <p>There is currently a significant queue of generation waiting to connect to the system, and some delays in connecting new demand. By setting the security factor too low, this will:</p> <ul style="list-style-type: none"> i. Encourage uneconomic generation located in the north to remain connected to the system – proper pricing would result in this generation closing freeing up capacity that could be allocated to currently queued generation (and

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		<p>avoiding unnecessary transmission investment);</p> <p>ii. Encourage new demand to locate in the south (data centres are an obvious example) rather than the north – again this creates the need for more (unnecessary) transmission investment and will delay the connection of northern generation (which could be netted against local demand); and</p> <p>iii. Encourage economic southern generation to close which should be kept operation as it is more economic than investing in transmission (this also delays connection of demand in the south until new and unnecessary transmission can be constructed)</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>I would ask that the workgroup considers the feasibility of the option identified in Q6</p>
5	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	No view

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	Yes – a proper solution would be to extend the ICRP model to simulate the impact of N-2 outages on the network, properly reflecting the security requirement.
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	appropriate. If you have any supporting evidence, please provide this?	Extending the ICRP model to calculate a secured (N-2) load flow makes the model considerably more computationally intensive. The workgroup might wish to consider an impact assessment of such a change.
7	Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else?	Price signals should reflect the incremental impact on the minimum (ICRP) network priced at the average cost of recent investments on the transmission system (as proposed by CMP 315 and CMP 375) (the current situation of using old data and inflating it is unacceptable as it will result in incorrect locational signals)
8	Do you have a view on whether the SECULF model is appropriate? Is enough information available to market participants?	<p>The SECULF model delivers ratio between circuit flows on an intact network on a N-2 depleted network averaged across the system. This is an approximation for computation simplicity and there is clearly a trade off to be made between model complexity and accuracy.</p> <p>For our use sufficient information is available but other market participants may value additional information.</p> <p>The combination of ICRP load flow and the security factor approximates the minimum system to meet the connected generation and demand (in accordance with the SQSS) and correctly approximates the impact of varying generation and demand on each node on the system. It is clearly possible to improve this approximation (see Q7)</p>