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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:	James Knight	
Company name:	Centrica	
Email address:	James.Knight3@centrica.com	
Phone number:	07557613126	
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 checked="" 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?	<p>Mark the Objectives which you believe the Original solution better facilitates:</p> <p>Original <input type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</p> <p>The Proposal does not better facilitate the Applicable Objectives</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>
3	Do you have any other comments?	A holistic review of the network charging and connection charging methodologies should be undertaken. It is clear from the consultation document that there is not a full

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		<p>understanding of how the different parts of the charging methodology operate to produce coherent signals, or how the network charging and connection charging methodologies were intended to operate together to produce coherent signals. There is a significant risk that changing the approach to security factors without a full understanding of the interactions with other parts of the network charging methodology, or with the connection charging methodology, could produce signals that are not coherent. It could also undermine the wider concepts or principles utilised in the approach to charge setting. We support the statement in the consultation that encourages the holistic assessment:</p> <p>“This should be conducted under a comprehensive review, as suggested by Ofgem, to ensure transmission charging is appropriate for future low carbon trading arrangements.”</p> <p>Such activity, and the depth of analysis required to understand wider implications, clearly can’t be conducted within the scope and timeline of an isolated modification under Urgency proceedings. Progressing CMP432 as currently intended is therefore of significant concern.</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 and conditions held within the Code?	Yes

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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?	<p>We do not feel that the transmission system would be infinitely secure without further network investment.</p> <p>Removing or setting the factor to 1 would not account for those circumstances in which installing additional network capacity would increase security requirements.</p> <p>Although it is difficult to assess the appropriateness of the current methodology, being as we believe the transmission system is not infinitely secure then a security factor value of 1 is inappropriate.</p> <p>We believe that it is within the gift of the NESO and the Transmission Owners to assess the appropriateness of the SECULF model versus actual incremental security requirements and work towards a more appropriate solution should this be required.</p>
7	Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else?	<p>This question cannot be answered in isolation of the objectives that the charging methodology should be designed to achieve. Nevertheless, we note that average costs can be considered to be a proxy for long-run incremental costs and, therefore, both reflect measures of marginal costs. It is also necessary that the selected approach is consistently applied across both the network charging and connection charging methodologies.</p>
8	Do you have a view on whether the SECULF model is appropriate? Is enough information available to market participants?	<p>It appears that there is a lack of transparency of how security factors are calculated. Providing the SECULF model to market participants could remove unpredictability in the impact annual modelling changes have, thus achieving some of the stated benefits of this modification.</p>