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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:	Binoy Dharsi	
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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 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)

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For reference the Applicable CUSC (charging) Objectives are:

- 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
		Network Charging should reflect the investment on the system. If the Locational Onshore Security Factor is determined to no longer be cost reflective, we would support a review of this and in principle accept

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		<p>changes made, with detailed underlying analysis supporting the changes.</p> <p>The original solution sets the Locational Onshore Security Factor to 1.0.</p> <p>The proposer's rationale is that there is sufficient redundant network capacity already. Any increment to network capacity does not require further security.</p> <p>The NESO is responsible for evaluating when values in the Transport & Tariff model are no longer cost reflective, and they achieve this by designing the power system along with the TOs to determine what the correct Locational Onshore Security Factor should be.</p> <p>There is a lack of analysis to determine what the correct value should be and therefore without this we are unable to determine if the solution identified is indeed better and more cost reflective.</p> <p>We would urge the NESO to carry out the necessary analysis to enable an informed decision to be made.</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?	<p>The NESO has proposed CMP444 to provide greater certainty to investors ahead of CfD AR7, and ahead of a REMA decision, expected in the summer of 2025.</p> <p>As CMP432 is not going to form part of or indeed influence the solutions developed in CMP444 it is unclear why the signal provided from this modification is required urgently.</p> <p>There are at least 3 modifications, CMP315/375, CMP423 and CMP432 which if approved, will materially change the contribution to TNUoS charges for all generators.</p>

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		<p>It is therefore unclear why CMP432 is being progressed with urgency and the others are not.</p> <p>The cap and floor for CMP444 is intended to temporarily protect investors from TNUoS uncertainty.</p> <p>A useful signal to market participants would be a package of reforms clearly detailing the prevailing arrangements in which there is greater clarity to make those investment decisions.</p> <p>Ofgem has already stated that an SCR will be launched based on the REMA decision. It seems more appropriate to package up these modifications to be included in that SCR along with any other broader reforms identified by Ofgem.</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?	<p>Yes, agree. No impact to EBR.</p>

Specific Workgroup Consultation questions

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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?	We believe that the NESO along with the TO are best placed to provide the necessary analysis to enable workgroup members to make an informed decision on what value the Locational Onshore Security Factor should be set at.
7	Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else?	No comment.
8	Do you have a view on whether the SECULF model is appropriate? Is enough information available to market participants?	We believe that the NESO should be able to advise market participants on the underlying methodology that it has used to derive an appropriate Locational Onshore Security Factor. As the SECULF model is not understood and it not transparent, it is difficult to ascertain if this is an appropriate model.