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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](mailto: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](mailto:cusc.team@nationalenergyso.com)

Respondent details	Please enter your details	
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<b>Which best describes your organisation?</b>	<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:

- 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;*
- 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);*

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- 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>The original proposal is negative to the applicable CUSC objectives and does not better facilitate them.</p> <p>Setting the security factor to 1 as recommended by the original proposal suggests that northern generators should not contribute to security costs. This move detracts from cost reflectivity, as reducing the security factor to 1 would make northern generator charges even less reflective of actual costs. The current Security Factor approach considers not only thermal power flows but also stability, voltage, and alternative power supply sources, contrary to the modification's deduction.</p> <p>Additionally, in relation to competition, the original proposal would shift additional costs on to southern generators, harming their cost base. While the proposal claims that reducing the SECULF to 1 would lower CfD costs for Scottish assets, it could conversely increase CfD and Capacity Market (CM) costs for southern generators as they already face lower load factors, e.g. CCGTs, solar PV. Therefore, any increase in their cost base would be reflected in CfD and CM bids. With most thermal, low-carbon</p>

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		generation, solar, and battery capacity expected to be southern-based in the next decade, this change could result in an overall negative cost-benefit for consumers.
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Due to the complexity of the SECULF model and the necessity to properly consider consistency and alignment with other parts of the charging methodology, as well as ongoing modifications like CMP 315/375, it is inappropriate to advance this modification in isolation or on an urgent basis. The significant impact of this modification on the charging methodology necessitates a comprehensive review. It should be considered alongside other related modifications, or be included in Ofgem's Significant Code Review, rather than solely focusing on reducing charges for Northern generators.</p>
3	Do you have any other comments?	Click or tap here to enter text.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the <u>Workgroup Consultation</u> Section) <input checked="" type="checkbox"/> No <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?	

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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>There is a potential argument for adjusting the SECULF from 1.76 to account for the variable impact of intermittent generation and its consequential impact on system security, i.e. the relative impact on system security would differ particularly on high wind days for an N-2 fault compared to low wind days. However, determining the appropriate value is challenging, and the modification proposer's analysis is overly simplistic, appearing to focus only on thermal security, which is insufficient for comprehensive SQSS assessment.</p> <p>It is important to note that moving the SECUF to 1 is not viable, as SQSS encompasses more than thermal power flows in the event of an unplanned N-2 fault; it also involves stability and voltage profile impacts. The proposer's analysis, which examines the Western Link HVDC's operation and suggests a 1:1 impact on boundary flows, is limited to thermal considerations. For instance, losing an onshore OHL double circuit across the Scotland-England boundary might have enough thermal capacity on other lines, but there is the question of whether it would capture the impact on voltage profiles during and after the fault, which can also potentially compromise system security, in the absence of other transmission investments.</p> <p>The impact of higher penetration from asynchronous generation on system security must also be considered. It could be the case that additional investments may be necessary beyond specific boundary transfers to address voltage profiles and stability issues. These costs should be appropriately attributed to the generators that necessitate those investments.</p>
7	Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else?	<p>Price signals should reflect both the average existing costs and the incremental costs of new assets to maintain consistency in the charging methodology and ensure fairness in charging and promote effective competition.</p> <p>The current model accurately represents the average security level required for the system by providing signals for efficiently reusing the existing network, and accounts for the incremental costs of new grid infrastructure. This dual approach is crucial as GB aims to meet Clean Power 2030 objectives by diversifying the generation mix and</p>

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		<p>increasing total generation capacity, ensuring both the efficient use of existing networks and the pragmatic development of new infrastructure.</p> <p>The complexity of security provision and network planning is greater than the proposer has acknowledged. Should the Locational Security Factor calculation be adjusted to account solely for actual new investments, it is crucial to review and potentially revise all components of the charging methodology accordingly to ensure their alignment within any new charging model. The review should be part of a thorough process that ensures that transmission charging aligns with the needs of the future energy system, and remains fair and cost reflective, as changing the Locational Security Factor alone may result in a less cost-reflective approach.</p> <p>Evidence of this is seen in the increased costs for southern generators, either through higher tariffs or reduced TNUoS credits, due to the proposed modification. Such changes could affect system security, as generators like CCGTs, OCGTs, nuclear, solar, and batteries, which are closer to demand centres, provide significant security benefits. To facilitate effective competitive, users of planned network assets should receive locational signals akin to other users, to also ensure efficient use of both new and existing assets.</p>
8	Do you have a view on whether the SECULF model is appropriate? Is enough information available to market participants?	To thoroughly evaluate the suitability of the SECULF model, additional information and an extensive review is needed beyond what can be accomplished through this urgent code modification. This will also be necessary to ensure consistency across all elements of the charging methodology.