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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	
<b>Respondent name:</b>	Hector Perez	
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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 checked="" 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)

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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 checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E
		<b><u>Objective A: Positive</u></b> Amending the security factor facilitates effective competition by aiding the predictability of TNUoS tariffs for industry. Analysis (Annex 5) presented at

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		<p>the workgroup suggests a SF of 1.76 no longer appears valid.</p> <p><b><u>Objective B: Positive</u></b></p> <p>In line with CUSC 14.14.6, TNUoS charges should provide efficient economic signals. As above, the amendment of the Security Factor would better reflect the cost of network investment on an incremental basis.</p> <p><b><u>Objective C: Positive</u></b></p> <p>To meet net zero, further build out and development of the transmission system is needed, with much of the works already in progress to deliver the capacity required without the need of redundant capacity. This is demonstrated within slide 29 presented by the proposer at Workgroup 1 by using the ‘bootstraps’ from the latest ETYS.</p> <p><b><u>Objective C: Positive</u></b></p> <p>Amending the Security Factor to 1 would mean that the SECULF model is no longer needed. This would bring the implementation and administration of the TNUoS charging methodology to be more efficient for NESO, who calculate and forecast charges.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The Locational Security Factor needs to be amended to provide a more cost-reflective TNUoS signal for industry. Given Ofgem has granted Urgency to the proposal, we recognise and agree with the importance of CMP432 and the potential benefit of planned delivery in April 2026, with a decision ahead of AR7.</p>

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3	Do you have any other comments?	N/A
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 <a href="#">Workgroup Consultation Section</a> ) <input checked="" type="checkbox"/> No <a href="#">Click or tap here to enter text.</a>
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?	We are aligned with the workgroup's assessment that it does not appear to impact EBR Article 18 T&Cs.

## 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>The necessary information has not been made available to industry or Workgroup members to replicate the current calculation. We believe confidentiality issues could be addressed through an NDA, enabling an independent 3<sup>rd</sup> party to define an appropriate value.</p> <p>Additionally, the analysis provided by SSE suggests the current 1.76 value is no longer appropriate and not in line with results from the SQSS on the security of the system. This raises concerns on the existing SECULF model and if it remains appropriate to reflect how the system has evolved. The analysis provided to workgroup suggesting revising the SF to 1 appears reasonable. If a value is to be chosen between 1 and 1.76 further analysis must be made available to support this.</p>
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7	Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else?	<p>TNUoS wider charges need to reflect the incremental system cost, as stated within the CUSC.</p> <p><b>CUSC Section 14.14.6:</b></p> <p><i>“The underlying rationale behind Transmission Network Use of System charges is that efficient economic signals are provided to Users when services are priced to reflect the incremental costs of supplying them.”</i></p> <p><b>CUSC Section 14.14.11:</b></p> <p><i>“In setting and reviewing these charges The Company has a number of further objectives. These are to:</i></p> <p><i>[...]</i></p> <ul style="list-style-type: none"> <li><i>• charge on the basis of services provided an on the basis of incremental rather than average costs, and so promote the optimal use of and investment in the transmission system; and</i></li> </ul> <p><i>[...]”</i></p> <p>An incremental cost approach appears consistent with the CUSC sections above.</p>
8	Do you have a view on whether the SECULF model is appropriate? Is enough information available to market participants?	<p>As per question 6, the methodology and key data driving the process behind the SECULF model is not publicly available, which makes it difficult to inform if the model is appropriate or not.</p> <p>As part of the workgroup review, it was shown that there is a lack of historical evidence for the 1.76 factor and transparency around the calculation. This issue raises questions around the appropriateness of the model and of the SF remaining at 1.76 going forward. Unless evidence can be found or sourced to support 1.76 or alternative. We believe replacing the value with a SF of 1 seems reasonable.</p>