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CUSC Alternative and Workgroup Vote

CMP432: Improve Locational Onshore Security Factor for TNUos Wider Tariffs.

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 – Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

Stage 2 – Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

For reference the Applicable CUSC (charging) Objectives are:

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- d) *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;*
- e) *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);*
- f) *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*;*
- g) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and*
- h) *Promoting efficiency in the implementation and administration of the system charging methodology.*

** See Electricity System Operator Licence**The Electricity Regulation referred to in objective (G) 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.*

Workgroup Vote

Stage 1 – Alternative Vote

No Alternatives were raised for this modification.

Stage 2a – Assessment against objectives

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To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Alan Kelly – West of Orkney Windfarm					
Original	Yes	Yes	Neutral	Neutral	Yes	Yes
Voting Statement: <p>The proposal better facilitates CUSC objective d) because the locational onshore scaling factor multiplies the cost differential across GB for generators sending an inappropriate locational signal. It unreasonably acts to penalise more northern generators with higher costs which are then passed through to more southern generators acting as a subsidy. This creates an unreasonable differential that is not cost reflective. This impacts all market participants most notably on CfD strike prices which undermines competition and ultimately increases energy costs for consumers.</p> <p>The proposal better facilitates CUSC objective e) because the locational onshore scaling factor does not reflect the actual infrastructure design and build and therefore cost undertaken by TO's to achieve compliance with SQSS security standards. The locational onshore scaling factor is therefore not cost reflective.</p> <p>The proposal better facilitates CUSC objective h) because the calculation of locational onshore scaling factor currently set at 1.76 is not clearly supported with an evidenced based calculation. The SECULF model used by NESO to</p>						

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calculate the locational onshore scaling factor at 1.76 was not justified by NESO through the work group process. Removing the locational onshore scaling factor avoids distorting the charging methodology with an unsubstantiated parameter which is inefficient.

Overall, the Original proposal is better than baseline.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Barney Cowin – Blue Float / Nadara Partnership					
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes

Voting Statement:

It is our view that the proposal to remove the Locational Onshore Security Factor uplift from all TNUoS Wider locational tariffs better facilitates the CUSC objectives overall. The resultant flatter gradient for locational charges and reduced differential between North & South with smaller charges smaller credits will result in beneficial outcome for renewables in the UK, and will contribute to achieving the Clean Power 2030 targets. As regards the individual CUSC objectives themselves:

- *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 – Proposal better facilitates this objective;*
- *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*

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licensees in their transmission businesses and which are compatible with standard licence condition C11 requirements of a connect and manage connection) – Proposal better facilitates this objective;

- *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* – Proposal is neutral against this objective;*
- *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **– Proposal is neutral against this objective; and*
- *Promoting efficiency in the implementation and administration of the system charging methodology– Proposal is neutral against this objective.*

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Damian Clough – SSE					
Original	Yes	Yes	Yes	Neutral	Yes	Yes

Voting Statement:

Our views against the code objectives remain the same as our initial proposer views as detailed on page 51 (just check the number). Nothing discussed within the workgroup has changed our

views. However, it must be noted that further analysis of the SECULF model may further firm up our views but these views can be added in the Code Admin Consultation Response.

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To summarise however, TNUoS charges are incremental charges, and reflect the incremental cost of using the system as stated numerous times in the methodology. The Residuals are all about cost recovery and paying for the existing System including existing Security. When tariffs do not reflect actual System build that creates inefficiencies which are paid for by the end consumer. Our voting is based on the premise that TNUoS Tariffs do not reflect actual incremental build and thus harms competition and costs the end consumer more and crucially puts in jeopardy future governmental and societal aims. Do not worry about reducing the benefits certain Generators may not now receive due to CMP432. Worry about continuing to overcharge for Security which is not being built and does not exist and how that impacts on CP30 and Net Zero.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Emanuele Dentis - Northland Power					
Original	Yes	Yes	Yes	Neutral	Neutral	Yes
Voting Statement: We consider that the proposal should be implemented because it achieves more cost-reflective network charges, that are better aligned with real world network build requirements. The proposal supports more effective competition in the generator market, including in CfD auctions, which will be better for consumers and overall lowering of system costs in the future through improving predictability and removing undue cost distortions. The proposal better facilitates CUSC objective d) because the existing locational onshore scaling factor (LSF) multiplies the cost differential across						

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GB for generators sending an inappropriate locational signal. The LSF currently creates a penalty for northern generators with higher costs which are then passed through to consumers, and creates windfall subsidies for southern generators both through the network charging credits and uplifts to CfD clearing prices. This creates an unreasonable differential that is not good for consumers and not cost reflective.

The proposal better facilitates CUSC objective e) because the LSF does not reflect real world network build requirements for transmission licensees and the actual cost of complying with SQSS. The LSF is not cost reflective and we see no justification for its continued presence in the charging methodology.

The proposal better facilitates CUSC objective f) because evolution in transmission licensees business shown in the NESO Electricity Ten Year Statements (ETYS) (as represented by the Proposer with examples of the West Coast bootstrap and other network reinforcements) highlights how the effects of the existing LSF will be amplified by the amount of network build expected, therefore its removal is a matter of urgency in our view.

We therefore vote in favour of the proposal.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Giulia Licocci – Ocean Winds					
Original	Yes	Yes	Yes	Neutral	Neutral	Yes
Voting Statement: We support the proposed modification as it delivers a more cost-reflective approach to how network charges are calculated, aligning them more closely with actual network build requirements. Importantly, it also corrects						

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the role of the security factor, which should not amplify the locational signal beyond what is justified by system needs.

The current locational onshore security factor leads to an overstatement of cost differentials across GB, resulting in locational signals that are not grounded in actual network investment needs. This creates undue cost distortions that undermine competition—particularly in CfD auctions—by introducing regional pricing signals that are not cost-reflective. This is inconsistent with CUSC Objective (d), as it impairs effective market functioning and ultimately increases costs to consumers.

The proposal also better facilitates CUSC Objective (e), as the locational onshore security factor does not reflect the actual infrastructure design and build undertaken by Transmission Owners to meet SQSS standards. Aligning charges with actual build requirements improves transparency and predictability in the cost allocation process.

By improving predictability and removing unjustified cost signals, this change supports more effective competition in CfD auctions and other investment processes. We therefore vote in favour of the Original Proposal.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Hector Eduardo Perez – Scottish Power Renewables					
Original	Yes	Yes	Neutral	Neutral	Yes	Yes
Voting Statement: The proposed solution better facilitates against ACO (d, e and h). TNUoS charges should provide efficient economic signals. Amending the security factor issue facilitates effective competition by aiding the predictability of						

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TNUoS tariffs for industry, better reflects the cost of the network investment and decreases the administrative burden of the tariffs' calculation.

Overall, we share the proposer's view in that wider TNUoS tariffs should be cost reflective and provide an effective signal to industry. Given the proposal's urgency, 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.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Hugh Boyle- EDF					
Original	No	No	Neutral	Neutral	No	No

Voting Statement:

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 changes made, with detailed underlying analysis supporting the changes. The original solution removes the Locational Onshore Security Factor from the CUSC methodology, which has an impact on TNUoS tariffs equivalent to setting it to 1.0. The proposer's rationale is that there is sufficient redundant network capacity already. Any increment to network capacity does not require further security. The NESO is responsible for evaluating when values in the Transport & Tariff model are no longer cost reflective. They achieve this by ensuring the Locational Onshore Security Factor aligns with how they and the TOs design the power system. 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.

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We would urge the NESO to carry out the necessary analysis to enable an informed decision to be made.

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. 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. 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.

It is therefore unclear why CMP432 is being progressed with urgency and the others are not. The cap and floor for CMP444 is intended to temporarily protect investors from TNUoS uncertainty. 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. 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.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Lauren Jauss – RWE					
Original	No	No	No	Neutral	Neutral	No
Voting Statement: The security factor increases TNUoS charges by a multiplier so that they represent the amount of network used by generation and demand. This includes their use of network that must be held in reserve to support their						

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flows at all times in case of contingencies. I believe that reducing the security factor to 1 would mean that charges do not include any of the costs of security, the cost of this network that is held in standby, and this is a fundamental part of the cost of network capacity.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Neil Dewar – NESO					
Original	No	No	Neutral	Neutral	No	No
Voting Statement: We believe that the Baseline better facilitates the objectives than the Original d) The Proposers solution would not facilitate effective competition: <ul style="list-style-type: none"> The solution would be favourable to Northern Generator and would largely penalise Southern Generators. Any re-distribution of revenue amongst industry participants would be worse at facilitating competition than the baseline as there is no basis for the re-distribution it would trigger. The same applies to the windfall gains and losses amongst consumers (via their Suppliers) in different regions e) The Proposers solution is not in the interest of consumers. <ul style="list-style-type: none"> If approved, Consumers would be subject to additional Transmission Demand Residual (TDR) Charges across the 5 year tariff period of between 1.1% (2028/2029) and 1.6% (2027/2028 and 2029/2030) – Taken from Annex 10 						

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f) The Proposers solution results in the removal of all CUSC references to Locational Onshore Security Factor, believing they are no longer required.

- This will create an inefficiency in CUSC arrangements should it be determined that the Locational Onshore Security Factor was required and another CUSC Modification needed to be raised to unwind CMP432. That would not be a good use of Industry's time.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Paul Jones – Uniper Uk Ltd					
Original	No	No	Neutral	Neutral	Neutral	No

Voting Statement:

CMP432 is based on the mistaken principle that all elements used in the TNUoS charging model should incremental and forward looking. The CUSC makes it clear that incremental costs are measured using incremental MWkms. Other elements used in the calculation that convert these MWkm into £/kW use a combination of average historic and forward looking costs, which seek to provide a balance of cost reflective, predictable and fair cost signals.

Some of these elements, such as how HVDC links are assumed to operate in the methodology, presently benefit those who support CMP432. If the principle of using the current averaging approach were to be seen as an issue, then these other elements should be changed too as part of a more holistic and consistent approach that does not allow parties to cherry pick just those features that benefit them.

That said, it is clear that future network expansion will take place not just to provide transfer capacity, but also to provide a more meshed network that

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provides security too. Analysing single network investments to gauge the level of security that they provide is not the correct approach to take as it is combinations of circuit investments that do this. Assuming that future network investment is only going to provide transfer capacity is not realistic.

As the system is indeed larger than just needed to provide unsecured transfer capacity, it is correct this should be reflected in the locational signals to efficiently influence new investment and closure decisions, to ensure existing network is used efficiently and that cost effective new network investment is made. Otherwise, clean power objectives will be delivered at too high a cost to customers. This applies equally to merchant investment in new capacity, as well as those supported by mechanisms such as CfDs and the Capacity Market. If specific areas of the country are deemed to be important for this from a wider strategic perspective, targeted explicit support should be provided and not implicit subsidies through network charging.

CMP432 would introduce a significant change in charges for all parties. Some will benefit and others disbenefit. Such a large change implemented in a rushed manner under an urgent process would do little to enhance GB's reputation for a stable and fair regulatory environment within which to invest.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Simon Lord – First Hydro					
Original	No	No	Neutral	Neutral	Neutral	No
Voting Statement: The Security factor cannot be considered in isolation from the expansion factor, both need to be on the same fundamental basis. This proposal seeks to “select against the scheme” by changing only one element that favours a						

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class or classes of generation projects. It seeks to reduce the cost of security by moving this to a short run basis whilst keeping the average cost for the expansion factor. The proposed short run cost at 1.0 is does not represent the current levels of security that are being built. We know of examples of developments on the wider network that have an implied security factor of 1.5. An internally consistent approach would move to a short run approach on both the expansion factor and the security factor.

Much of the new network to support Northern Generation is being achieved via HVDC connections that are typically ~4 x the cost of onshore 400kV circuits as indicated by the Western Boot Strap. The current averaging approach for the expansion factor removes the extreme effect of this and moderates the resulting charges to a 10-year average including all parallel 400kV onshore circuits. The averaging effectively charges new HVDC circuits at an incremental cost significantly below the actual cost. Applying the security factor to the average cost deliver a consistent approach as the security factor represents the size of the network relative to the simple unsecured network and allows for all the additional items and costs needed to run the transmission system.

To change one without the other is effectively selecting against the scheme and will result in reduced cost reflectivity charges, inefficiency in TO build and auction outcomes.

Of the 11 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	6

Stage 2b – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal))

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Workgroup Member	Company	Industry Sector	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Alan Kelly	West of Orkney Windfarm	Generator	Original	d), e), h)
Barney Cowin	Blue Float / Nadara Partnership	Generator	Original	d), e)
Damian Clough	SSE	Generator	Original	d), e), f), h)
Emanuele Dentis	Northland Power	Generator	Original	d), e), f)
Giulia Licocci	Ocean Winds	Generator	Original	d), e), f)
Hector Eduardo Perez	SP Renewables	Generator	Original	d), e), h)
Hugh Boyle	EDF	Supplier	Baseline	n/a
Lauren Jauss	RWE	Generator	Baseline	n/a
Neil Dewar	NESO	System Operator	Baseline	n/a
Paul Jones	Uniper	Generator	Baseline	n/a
Simon Lord	First Hydro Company	Generator	Baseline	n/a