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## Code Administrator 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 [usc.team@nationalenergyiso.com](mailto:usc.team@nationalenergyiso.com) by **5pm** on **06 May 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 [usc.team@nationalenergyiso.com](mailto:usc.team@nationalenergyiso.com)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Alan Kelly	
<b>Company name:</b>	West of Orkney	
<b>Email address:</b>	Alan.kelly@westoforkney.com	
<b>Phone number:</b>	07720160328	
<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 Panel or the industry for further consideration*)

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.

## **For reference, (for consultation question 5) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:**

- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) *enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) *integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*

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- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

### What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

**Please express your views in the right-hand side of the table below, including your rationale.**

### Standard Code Administrator Consultation questions

1	Please provide your assessment for the proposed solution against the Applicable Objectives against the current baseline?	Mark the Objectives which you believe the proposed solution better facilitates than the current baseline:	
		Original	<input checked="" type="checkbox"/> d <input checked="" type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input checked="" type="checkbox"/> h <input type="checkbox"/> none
		The proposal better facilitates CUSC objective d) because the current locational onshore scaling factor multiplies the cost differential across GB for generators sending an inappropriate locational signal.	

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		<p>It unreasonably penalises northern generators with higher costs which are then passed through to southern generators acting as a subsidy. This creates a charging differential that is not cost reflective. This impacts all market participants and inflates CfD strike prices which undermines competition and ultimately increases energy costs for consumers.</p> <p>The proposal better facilitates CUSC objective e) because the current locational onshore scaling factor does not reflect the actual infrastructure design and build and therefore costs, 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 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.</p> <p>Overall, the Original proposal is better than baseline.</p>
2	Do you have a preferred proposed solution?	<p><input checked="" type="checkbox"/> Original</p> <p><input type="checkbox"/> Baseline</p> <p><input type="checkbox"/> No preference</p> <p>Click or tap here to enter text.</p>

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3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  <a href="#">Click or tap here to enter text.</a>
4	Do you have any other comments?	<p>During the workgroup a report prepared by Aurora, commissioned by Ocean winds, the West of Orkney windfarm and Spiorad na Mara was requested to be presented at work group. However, it was challenged as being potentially anti-competitive so was withdrawn. Ofgem were asked to determine on this but were not able to do so before the workgroups concluded.</p> <p>We now provide this report as evidence to inform the consumer impact of the potential impact of this proposal. Specifically, that the CMP432 Original proposal, if implemented, could deliver £11.1bn of savings to the consumer between 2028-2050, by reducing the CfD bid prices of Scottish wind farms.</p> <p>Notwithstanding the potential consumer benefits highlighted above, we consider the merits of the Original proposal remove an inconsistency in the TNUoS charging methodology with respect to achieving cost reflectivity of the actual design and build of achieving network security on the GB Transmission system.</p> <p>For these reasons we support the implementation of this proposal.</p>

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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?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.