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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 [cust.team@nationalenergyiso.com](mailto:cust.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 [cust.team@nationalenergyiso.com](mailto:cust.team@nationalenergyiso.com)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Tom Steward	
<b>Company name:</b>	RWE	
<b>Email address:</b>	Tom.Steward@RWE.com	
<b>Phone number:</b>	07785 663264	
<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)

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### **For reference the Applicable CUSC (charging) Objectives are:**

- 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;*

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- 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;*
- 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	Mark the Objectives which you believe the proposed solution better facilitates than the current baseline:	
		Original	<input type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input checked="" type="checkbox"/> none

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	<p>against the Applicable Objectives against the current baseline?</p>	<p><b>Cost reflectivity</b></p> <p>The proposal to remove the security factor would imply that no generator should contribute to the cost of security. This is in spite of the fact that when there is an outage, their ability to continue to generate is entirely contingent upon that security. This is therefore a clear move away from cost reflectivity. As noted below – generators that choose single local circuit connections do not benefit from security, and therefore face a different level of charges to reflect that.</p> <p>The fact that, even before the application of the €2.50/MWh cap, generators pay only a fraction of the cost of the network, implies that there is a significant amount of network that they rely upon but are not charged for. In the 2025/26 charging year, the total cost of the onshore TO networks costs is ~£4.3bn, but generators only contribute ~£536m. This is inclusive of the 1.76 security factor. Removing the security factor would make the charges faced by generators even less cost reflective.</p> <p>The proposer's assertion that it is all but impossible for a generator to have any impact on the security of the system on the basis only of thermal constraints overlooks both:</p> <ol style="list-style-type: none"> <li>1. The examples that were given where it demonstrably <i>does</i> have an impact on security (dismissed by the proposer as "exceptions")</li> <li>2. The role of other system security needs in reflecting security such as the need for frequency response, reactive power, black-start etc. Although these are not currently reflected in the SECULF model (which itself may imply justification for <i>increasing</i> the security factor), the proposer offered no explanation why removing the security factor would be more reflective of these security considerations than the current methodology.</li> </ol>
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2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input checked="" type="checkbox"/> Baseline <input type="checkbox"/> No preference  <a href="#">Click or tap here to enter text.</a>
3	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <p>Notwithstanding the above position that this proposal is contrary to the objectives of the CUSC, the proposal to implement such a material change to tariffs at such short notice risks significantly undermining investor confidence. The proposal will have significant negative consequences for southerly generators that have already fixed their incomes through the CfD or T-4 CM, whilst delivering significant windfall payments to the equivalent generators in northerly regions.</p>
4	Do you have any other comments?	N/A
5	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  <a href="#">Click or tap here to enter text.</a>

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	and conditions held within the Code?	
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