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

Respondent details	Please enter your details	
<b>Respondent name:</b>	Simon Lord	
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<b>Phone number:</b>	07980793692	
<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 type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input checked="" type="checkbox"/> none
		We do not support the proposed change. We believe the proposed change would result in reduced cost reflectivity of charges, inefficiency in TO build and inefficient auction outcomes. Further detail are given in section 4 below.	

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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  <a href="#">Click or tap here to enter text.</a>
4	Do you have any other comments?	<p>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. 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.</p> <p>The proposed level of the security factor at 1.0 does not represent the current levels of security 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.</p> <p>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.</p> <p>The current (baseline) approach of applying the security factor to the average cost delivers a consistent approach as the security factor represents the size of the network</p>

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		<p>relative to the simple unsecured network and allows for all the additional items and costs needed to run the transmission system.</p> <p>We believe that the full cost reflective charge should be faced by parties to ensure the optimum economic outcome. If this is not the case then the inefficient cost will fall on consumers via reduced efficiency of auction resulting in higher TNUoS residual charges and potentially higher CfD energy cost overall. A further impact on consumers relates to capacity market bids as conventional generators seek to recover the lost revenue driven by an increase in relative TNUoS cost and the overall financial cost to consumers will be negative for this change.</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?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>