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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 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

Respondent details	Please enter your details	
Respondent name:	Paul Jones	
Company name:	Uniper UK Ltd	
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Which best describes your organisation?	<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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	against the Applicable Objectives against the current baseline?	By distorting the locational signal through the removal of the Locational Security Factor, CMP432 would undermine cost reflectivity (e) and frustrate competition (d)
2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input checked="" type="checkbox"/> Baseline <input type="checkbox"/> No preference
		Please see comments below.
3	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		Please see comments below.
4	Do you have any other comments?	<p>We have made various points covering why we believe that CMP432 should not be implemented, within a paper we submitted with our response to the working group consultation and a presentation that we made to the working group.</p> <p>In summary:</p> <p>It is mistaken to conclude that all elements used in the TNUoS charging model should be 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. They also allow</p>

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		<p>costs to be reflected over an extended period, rather than in a single lump sum when the investment is made such as with deep charging.</p> <p>It is clear from current plans that future network expansion will take place not just to provide transfer capacity, but also to provide a more meshed network that provides security too. Analysing single network investments to measure 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. This means that removing the locational security factor as proposed under CMP432 is also unrealistic.</p> <p>CMP432 will distort incentives that would otherwise promote efficient new investment and closure decisions, to ensure that both cost effective new network investment is made and existing network is used efficiently. If it is implemented, it is likely that clean power objectives will be delivered at too high a cost to customers.</p> <p>If it is deemed that all cost elements should be treated purely on a forward looking incremental basis then this should be carried out as a holistic change on the whole methodology and not on one select part. Some of the averaging presently dilutes the locational signal and other averaging enhances it. Choosing to address only one element results in a targeted special interest modification that</p>
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		<p>specifically provides an unfair benefit to one set of parties alone.</p> <p>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.</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>It does not seek to alter those designated parts of the code.</p>