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Workgroup 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 cusc.team@nationalenergyso.com by **5pm** on 07 March 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:
cusc.team@nationalenergyso.com

Respondent details	Please enter your details	
Respondent name:	Matthew Paige-Stimson	
Company name:	National Grid Electricity Transmission plc	
Email address:	matthew.paige-stimson@nationalgrid.com	
Phone number:	n/a	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input 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 checked="" 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 Workgroup, Panel or the industry for further consideration*)

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For reference the Applicable CUSC (charging) Objectives are:

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

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective (d) 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.

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

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Standard Workgroup Consultation questions						
1	Do you believe that the Original Proposal and better facilitates the Applicable Objectives?	Mark the Objectives which you believe the Original solution better facilitates:				
		<table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A</td> <td><input type="checkbox"/>B</td> <td><input type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> </tr> </table>	Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C
Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E	
<p>At this stage, our view is that the Original Proposal does not better meet the Applicable Objectives.</p> <p>We believe the security factor, which reflects the need for additional network to provide resilience, is affected by location. For example, the additional network needed for a marginal MW that uses more of the network (MWkm) will drive the need for more additional circuits for resilience than one that uses less. Setting the security factor to 1 means the relationship between distance and cost is overlooked in the locational signals provided through TNUoS. Therefore, the proposal does not improve cost reflectivity (Objective A).</p> <p>The reduction in cost reflectivity means that costs are spread differently between generators and with demand. We believe this unlikely to improve competition (Objective B).</p>						
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
		Click or tap here to enter text.				

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3	Do you have any other comments?	We believe further analysis is needed before changing the current approach. As noted in our response to Q1, we believe the proposal as it stands reduces cost reflectivity. However, it could be worth exploring other approaches, for instance how the security factor could vary by zone.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section) <input checked="" type="checkbox"/> No We believe more work is required to determine the level of resilience that should be reflected in the charging model, whether this remains a revised GB average or some alternate proposal.
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?	Yes.

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Specific Workgroup Consultation questions		
6	Do you think there are any other approaches to reflecting the cost of security or is there a value other than 1 or 1.76 that is more appropriate. If you have any supporting evidence, please provide this?	We do not at this stage have any further views beyond that provided to Q1.
7	Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else?	<p>This question cannot be answered in the abstract. We highlight that there are two important issues that need to be considered:</p> <ol style="list-style-type: none"> 1. What is required under cost-reflectivity principles: namely, which approach better reflects the cost that user behaviour impose on the network. 2. Any trade-offs between cost-reflectivity and other policy objectives (e.g. stability and predictability). <p>The current average Secure Load Flow model (SECULF) approach has the benefit of delivering stability.</p> <p>We are not clear the same could be said of a more location specific incremental cost model approach, and in future years the incremental cost of delivering local or regional resilience may be higher than has historically been the case.</p> <p>This may mean short term benefits for certain charge zone users but exposure to higher, more localised resilience driven costs in future years. Even though Ofgem has generally supported locational signals, it has also recognised that this support is not absolute and there are trade-offs, as evidenced by its support for a cap and floor to wider TNUoS charges¹.</p> <p>We also note that the exact nature and impacts of the proposed incremental cost approach is not yet sufficiently clear.</p>

¹ Seeking industry action to mitigate the investment impacts of very high projected TNUoS charges | Ofgem

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8	Do you have a view on whether the SECULF model is appropriate? Is enough information available to market participants?	We have no view on this question.
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