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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: | Barney Cowin | |
| Company name: | Bluefloat Nadara Partnership | |
| Email address: | Barnaby.cowin@nadara.com | |
| Phone number: | 07858 363966 | |
| 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 Workgroup, Panel or the industry for further consideration*)

For reference the Applicable CUSC (charging) Objectives are:

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- 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.

| 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: |
| | | Original <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E |
| | | We believe that the proposal better facilitates the Applicable Objectives and seeks to address the clearly outlined defect in the Proposal. Application of a blanket pro-rata uplift in security results in unnecessary additional redundancy and incorrect forecasts in relation to network forecasts. Particularly in the context of centralised network planning the charging methodology is not cost reflective, and the removal of the Locational Onshore Security Factor goes some way to addressing this issue. |

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| | | <p>The proposal better facilitates objective (a) as it reduces the impact of the market distortions that are being imposed through the application of a market signal that is not cost reflective.</p> <p>The Locational Onshore Security Factor as it currently applies (at 1.76) does not result in charges which reflect the costs incurred by TOs. Introducing a new Factor of 1, the proposal better reflects TO costs.</p> <p>We agree that improving both cost reflectivity and predictability of wider TNUoS charges will reduce cost and risk premiums for investors in new generation. It will also combat the large discrepancy in TNUoS charging between northern and southern generators and will ultimately reduce the cost of energy for consumers as southern generators will no longer secure a subsidy premium in the CfD auction.</p> |
| 2 | Do you support the proposed implementation approach? | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We agree with the proposed implementation approach that the Locational Onshore Security Factor should be set at 1.</p> |
| 3 | Do you have any other comments? | <p>Following the Clean Power 2030 Action Plan and centralised strategic network planning it is critical that the charging methodology incentivises locational signals that are aligned with the stated policy objectives. The current methodology actively disincentivises these signals and the current methodology is both inefficient and inappropriate.</p> |
| 4 | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? | <p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)</p> <p><input checked="" type="checkbox"/> No</p> <p>Click or tap here to enter text.</p> |
| 5 | Do you agree with the Workgroup's assessment that the modification does not impact the Electricity | <p>Yes</p> |

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| | Balancing Regulation (EBR) Article 18 terms and conditions held within the Code? | |
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Specific Workgroup Consultation questions

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| 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? | Click or tap here to enter text. |
| 7 | Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else? | We believe that price signals should not be set using an average existing cost. So far as is possible the price signals should actively support centralised network planning, and as a minimum should not act as a barrier to developing projects through centralised network planning. Using average existing costs is not cost reflective. |
| 8 | Do you have a view on whether the SECULF model is appropriate? Is enough information available to market participants? | We would welcome further information from NESO on how the SECULF model calculates the security factor. The SECULF model was not explained through the work group process and the NESO guidance on calculating the security factor did not provide evidence to demonstrate that the security factor is appropriate. |