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

| Respondent details                             | Please enter your details   |   |
|--|---|---|
| <b>Respondent name:</b>                        | Chiamaka Nwajagu  |   |
| <b>Company name:</b>                           | Ørsted  |   |
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| <b>Which best describes your organisation?</b> | <input type="checkbox"/> Consumer body<br><input type="checkbox"/> Demand<br><input type="checkbox"/> Distribution Network Operator<br><input checked="" type="checkbox"/> Generator<br><input type="checkbox"/> Industry body<br><input type="checkbox"/> Interconnector | <input type="checkbox"/> Storage<br><input type="checkbox"/> Supplier<br><input type="checkbox"/> System Operator<br><input type="checkbox"/> Transmission Owner<br><input type="checkbox"/> Virtual Lead Party<br><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:

- 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

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*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;*
- 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?**

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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?  | <p>Mark the Objectives which you believe the proposed solution better facilitates than the current baseline:</p> <table border="1"> <tr> <td>Original</td> <td><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</td> </tr> </table> <p>Click or tap here to enter text.</p>  | 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 |
| 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 |   |          |   |
| 2  | Do you have a preferred proposed solution?  | <p><input type="checkbox"/>Original<br/> <input checked="" type="checkbox"/>Baseline<br/> <input type="checkbox"/>No preference</p> <p>There is merit in further exploring what the appropriate value for the locational onshore security factor should be. This may require a comprehensive review of the approach and methodology used for other key components in calculating network costs within TNUoS. However, until such a review takes place, the current baseline and its associated approach should continue to be used.</p> |          |   |
| 3  | Do you support the proposed implementation approach?  | <p><input type="checkbox"/>Yes<br/> <input checked="" type="checkbox"/>No</p> <p>Click or tap here to enter text.</p>   |          |   |

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|---|---------------------------------|--|
| 4 | Do you have any other comments? | <p>Implementing this proposal to remove the existing onshore security factor from the TNUoS calculation is an extreme measure that deviates from the current averaging approach used in the current methodology. While exploring changes to the onshore security factor's value has merit, the proposal to eliminate it entirely is inappropriate.</p> <p>The current methodology balances cost reflectivity with stability and fair charging, rather than fully reflecting incremental costs. A full marginal approach would unfairly burden users with the entire cost of network investments triggered by their actions, which is not aligned with the current shallow charging method that charges users based on their proportionate network use.</p> <p>The current TNUoS methodology reflects both existing and future network costs through key aspects like the Expansion Constant, Expansion Factors, and the Locational Onshore Security Factor. These elements ensure that users are charged fairly for their network usage over time, supporting efficient reuse of the existing network.</p> <p>Altering the Locational Onshore Security Factor without reviewing the entire charging methodology would lead to inconsistencies and a less cost-reflective approach. It is crucial to maintain locational signals for both new and existing network assets to ensure efficient use.</p> <p>Removing the Locational Onshore Security Factor, as proposed, represents a misguided change that could in fact undermine the overall efficiency and fairness of TNUoS charging methodology.</p> |
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|---|---|---|
| 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? | <input type="checkbox"/> Yes<br><input type="checkbox"/> No |
|   |   | Click or tap here to enter text.                            |