Public

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:	Stephen McKellar	
Company name:	Scottish Renewables	
Email address:	smckellar@scottishrenewables.com	
Phone number:	07736 966151	
Which best describes your organisation?	☐Consumer body ☐Demand ☐Distribution Network Operator ☐Generator ☒Industry body ☐Interconnector	☐Storage ☐Supplier ☐System Operator ☐Transmission Owner ☐Virtual Lead Party ☐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:

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	☒A ☒B ☐C ☐D ☒E
		The proposal better facilitates objective a) because the current Transmission Network Use of System (TNUoS) charging locational signal is multiplied by the security factor and is therefore a major contributing factor to the high TNUoS charges identified in the recent NESO 10-year projections. This will remove this multiplier impact, thus reducing the north to south TNUoS tariff cost differential. This will have a positive effect on competition by allowing more northern generators to compete in Contracts for Difference (CfD) auctions effectively and	

		should reduce CfD strike prices, leading to lower energy prices for GB consumers This proposal impacts all market participants and should reduce energy costs for consumers across GB. The proposal better facilitates objective b) because the current scaling factor calculation methodology uses a measure of average existing security. By contrast, charges should reflect the incremental cost associated with incremental security. The proposal will, therefore, better reflect the actual costs incurred by Transmission Operators (TOs) to build network infrastructure. The proposal better facilitates objective e) because the calculation of LSF is highly complex, and the methodology and justification for the value being currently set at 1.76 are hard to understand. This proposal will remove this complexity and reduce the volatility and uncertainty in TNUoS charging.
2	Do you support the proposed implementation approach?	☒Yes ☐No
		We support either removing references to Locational Onshore Security Factor from the CUSC or setting the value to 1.0.
3	Do you have any other comments?	This proposal has the ability to significantly impact the reduction of high TNUoS charges that are arising under the current charging methodology. This will materially support investment, particularly for northern generators and the successful delivery of Clean Power 2030 (CP30) plans at the lowest cost to consumers. It is important that the timeline of this CMP and its interaction with the timeline of CMP444 (TNUoS Cap & Floor) allow Ofgem to clearly decide the outcome of these modifications in advance of the AR7 allocation round.
4	Do you wish to raise a Workgroup Consultation Alternative Request for	☐Yes (the request form can be found in the Workgroup Consultation Section)

	the Workgroup to consider?	☒No Click or tap here to enter text.
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

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?	Due to the complexity and lack of transparency in the current methodology, we are unable to propose any other numeric value. We would point to annex 5 and the supporting report[1], which propose a value of 0.7. This reinforces the original proposal to set the value to 1.0 as a reasonable first step in advance of more detailed analysis that could reduce or remove the security factor altogether.
7	Do you believe price signals should reflect average existing cost, incremental cost, a combination of the 2, or something else?	We agree with the Proposer's view that the Locational Onshore Security Factor applied to TNUoS Wider locational tariffs is not cost reflective of the way the MITS is planned because it is a measure of average existing security, charges should reflect the incremental cost associated with incremental security, as stated in the CUSC section 14.14.
8	Do you have a view on whether the SECULF model is appropriate? Is enough information	We are concerned at the lack of information available to Users, particularly regarding this SECULF model. We note that no

[1] Annex 5 - CMP432 TRIDENT ECONOMICS.pdf

	available to market participants?	evidence to demonstrate that the SECULF model is calculating an appropriate security factor is available.