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Nadir Hafeez

Ofgem

By email

Trisha McAuley OBE

Independent Chair CUSC & Grid Code Panel

Ren Walker

CUSC Panel Technical Secretary

10 January 2025

CMP432 request for Urgency letter

Dear Nadir,

Connection and Use of System Code (CUSC) Modification Panel Request for Urgency and Recommended Timetable for **CMP432: Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs.**

On 07 March 2024, SSE Generation Ltd raised **CMP432**. The Proposer sent a request to the CUSC Panel Secretary on 17 December 2024 for this modification to change governance route, and as such be treated as urgent.

CMP432 seeks to improve the cost reflectivity of the “Locational Onshore Security Factor”, so that Wider locational TNUoS charges better reflect the way Transmission Owners plan for a secure network based on the Security and Quality of Supply Standard requirements

All documentation for this modification can be located via the following link:

<https://www.neso.energy/industry-information/codes/cusc/modifications/cmp432-improve-locational-onshore-security-factor-tnuos-wider-tariffs>

The CUSC Modifications Panel (“the Panel”), on 10 January 2025, considered the change of governance route for **CMP432** and the associated request for urgency. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends.

The Proposer set out their rationale for Urgency against Ofgem’s Urgency criteria **(a)** which is as follows:

a) A significant commercial impact on parties, consumers or other stakeholder(s).

- The modification will materially impact the value and relative locational signal for any new demand investments which are part of government’s targets to decarbonise the energy system.

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- This will include new demand for the electrification of heat, transport, and other forms of commercial and industrial demand. In [Ofgem's open letter](#), they correctly recognised that customers benefit from reducing uncertainty for generation investors: "Seeking industry action to develop a temporary intervention to protect the interests of consumers by reducing the uncertainty associated with projected future TNUoS charges" The modification should be considered high importance because it's impact is large as it would substantially change the value of wider locational tariffs and relative locational signals for both generation and demand.
- The modification should receive urgent consideration because it would substantially change the absolute value and the relative value of locational signals for the large capacity of generation projects expected to bid into CfD allocation rounds from 2025 onwards.
- This Security Factor modification CMP432 more appropriately and sustainably addresses the long-underlying cause of investor uncertainty, which complements the short-term nature of CMP444 "Cap and Floor" modification. By contrast, CMP444 only addresses the symptoms of uncertain tariffs in the short-term rather than the underlying cause of TNUoS charge uncertainty over the long-term.
- The importance of addressing the issue of uncertainty is described by Ofgem in their open letter as: "This open letter is our response to the developing uncertainty around long-term Transmission Network Use of System ("TNUoS") charges, particularly concerns driven by last year's 10-year projections of significant charge increases for generators in the North of Great Britain ("GB")." By reducing those large values of northern TNUoS charges through improving the Security Factor, industry will naturally reduce the defect and variability thus reducing the need for the cap and floor mechanism.
- A concern is of increasing costs to the end consumer unnecessarily. It appears that the current Security Factor applied does not reflect the actual redundancy and Security which TO's build to comply with the SQSS. This locks in tariffs which do not reflect actual reinforcement.
- In addition, a decision on this modification should be made before applying any fixed price TNUoS charges such as through modification CMP442. This is because CMP442 proposes to offer an option of fixing tariffs based on a NESO forecast of future tariffs, so this Security Factor modification is essential to avoid fixing tariffs at the current excessive and non-cost reflective level.
- Any delays to this modification would materially distort the outcome of CfD allocation rounds for a large capacity of projects that are essential to deliver government low carbon targets. If a change to the Security Factor were to be made at a later date after mods like the cap and floor, fixed price TNUoS, as well strike prices have already been set and fixed and will result in the end consumer paying unnecessarily increased and otherwise avoidable costs for the foreseeable future.

Panel Consideration of the Request for Urgency

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The Panel considered the request for urgency with reference to [Ofgem Guidance on Code Modification Urgency Criteria](#). The majority view of the Panel is that **CMP432 does meet** Ofgem's Urgency criteria¹. Therefore, the recommendation of the Panel is that **CMP432 should be** treated as an Urgent CUSC Modification Proposal.

Panel members set out their rationale behind this decision:

- Some Panel members agreed with the Proposer's rationale for urgency.
- A view of a Panel member was that the current application of the locational onshore security factor within setting TNUoS has been established for some time. We do not assess this change as urgent due to the longstanding nature of the existing arrangements which all stakeholders have been aware of. The rationale that this change is needed prior to the next CfD auction is not relevant as the proposer could have brought this change forward prior to previous auctions where it would also have had a commercial impact. Therefore, do not feel it meets the urgency criteria.
- One Panel member stated that this modification, whilst being important, does not meet, in their opinion, the criteria for urgency. The Panel member agrees with the proposer that it should feature higher on the prioritisation list, Panel members will consider the views stated in the urgency request when making this assessment. There are important investment decisions being made by developers over the coming years against a backdrop of significant uncertainty of TNUoS charges and providing as clear a set of charging arrangements as early as possible will be beneficial to all Users.
- A Panel member stated that, irrespective of the urgency of the modification, the Panel member does not believe that the proposer has proved that the related issue carries a significant commercial impact. The proposer has argued that the Scaling Factor should be reduced to 1, but also highlights the need to complete analysis in order to determine the correct value (and thus to determine whether or not there is a commercial impact, let alone a significant one). As such, the actual impact of the modification is not known, and since urgency requests should be made on the basis of a known commercial impact, not a suspected or hoped-for commercial impact, therefore, does not agree with the proposer's urgency request.
- One Panel member stated that their understanding is the TNUoS Cap and floor (CMP444) is being introduced to provide certainty to investors whilst the industry progresses modifications to improve TNUoS charging methodology, such as Modifications CMP432

¹ Ofgem's current view is that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

- a) A significant commercial impact on parties, consumers or other stakeholder(s); or
- b) A significant impact on the safety and security of the electricity and/or gas systems; or
- c) A party to be in breach of any relevant legal requirements.

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and CMP423. The Panel member cannot recommend Urgency for CMP432 because the materiality of the commercial impact is not clear. The Panel member stated that they were unable to understand the financial impact on customers if this modification is implemented before or after CMP444 (TNOUS Cap and Floor), and therefore the need for the modification to be considered by the Authority together with CMP444 or before the CFD AR7. It is clear there is a difference of opinion on what the security factor should be and therefore there is potential for significant commercial impact but it is not clear what that level would be or that it is certain. It is the Panel's responsibility to set a high bar for proposers to prove the materiality of any commercial impact as part of an urgent request. Where possible, this should be quantitatively assessed for transmission charging-related mods and provided in the urgency letter or presentation to the Panel. The Proposer has raised some valid points that require the prioritisation of this modification to be reconsidered at the next CUSC Panel meeting. The Panel member is supportive of SSE's request for transparency in the TNUoS DFTC model and to allow the industry to complete analysis for modifications that are currently constrained by NESO revenue Team resources.

- One Panel member stated that they agree that with respect to potential positive impacts (this would reflect positively on consumer impact coming from investor decisions and ability to commit to invest) and in particular for Ofgem to consider in the round.
- A Panel member stated that since CMP444 is urgent, and these modifications are directly relevant to CMP444, which is urgent, then this should be urgent.
- A view of a Panel member was that it has been suggested that CMP432 should be raised urgently in order to meet timescales for the upcoming CfD Allocation Round 7. Whilst understanding how certainty on whether this modification is likely to be implemented would be useful for participants in this allocation round, the same could be said for any charging modification which is likely to change future TNUoS charges. It could also be made in respect of any upcoming support mechanism allocation process such as the next Capacity Market auction. Indeed, as the Capacity Market auction is an annual process, all TNUoS modifications could be classified as urgent if using this rationale. It has also been suggested that CMP432 is needed urgently to form part of a counterfactual solution to REMA. This isn't the case, and the modification can be assessed under the normal process to meet this objective. Indeed, from a REMA perspective it should be considered in similar timescales as other charging modifications which could also form the basis of an enhanced National market. There is nothing specific about the proposal compared with other modifications that requires urgent assessment ahead of them. Indeed, CMP444 has been raised urgently with the express rationale to limit future changes in charges until these other change proposals can be progressed and, if appropriate, implemented. This allows these more enduring changes to be assessed in a more considered and thorough manner. CMP432 could have a significant impact on the market. However, it won't have a significantly different impact if assessed urgently compared with a non-urgent process.

Procedure and Timetable

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The Panel discussed an appropriate timetable for **CMP432** in the instance that urgency is granted.

The Panel agreed that **CMP432** subject to Ofgem’s decision on Urgency should follow the attached Code Administrator’s proposed timetable (Appendix 1 **Urgent recommendation**). In Appendix 2 of this letter, the Code Administrator has also provided the timeline if this follows standard timescales with the assumption that Panel prioritise this high in the prioritisation stack.

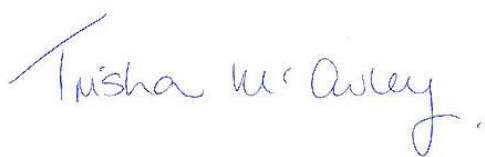
Panel noted that if urgency is required, there would be;

- A Workgroup Consultation period of less than 15 Business Days
- Code Administrator Consultation period of less than 15 Business Days
- There would be less than 5 clear Business Days between publication of the Draft Final Modification Report and Panel’s recommendation; and
- There would be less than 5 clear Business Days for Panel to check that their Recommendation Vote had been recorded correctly

Under CUSC Section 8.24.4, we are now consulting the Authority as to whether this Modification is an Urgent CUSC Modification Proposal.

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response

Yours sincerely



Trisha McAuley OBE

Independent Chair of the CUSC and Grid Code Panel

Ren Walker

CUSC Panel Technical Secretary

Appendix 1– Urgent Timeline

Modification Stage	Date
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Modification presented to Panel	10 January 2025
Ofgem grant Urgency	16 January 2025 (5pm)
Workgroup 1 – Workgroup 4 (assuming Ofgem have granted Urgency)	22 January 2025 29 January 2025 14 February 2025 21 February 2025
Workgroup Consultation (6 business days)	26 February 2025 – 06 March 2025
Workgroup 5 – Workgroup 8 (Assess Workgroup Consultation Responses and Workgroup Vote)	13 March 2025 20 March 2025 26 March 2025 03 April 2025
Workgroup Report issued to Panel (2 business days)	14 April 2025
Panel sign off that Workgroup Report has met its Terms of Reference	17 April 2025
Code Administrator Consultation (7 business days)	22 April 2025 – 02 May 2025
Draft Final Modification Report (DFMR) issued to Panel (3 business days)	09 May 2025
Panel undertake DFMR recommendation vote	15 May 2025
Final Modification Report issued to Panel to check votes recorded correctly	15 May 2025
Final Modification Report issued to Ofgem	15 May 2025
Ofgem Decision	Summer 2025, to allow developers to factor in the impact of the change ahead of the likely CfD AR7 bid submission window.
Implementation Date	01 April 2026

Appendix 2 – Standard Timeline

Modification Stage	Date
Modification presented to Panel	22 March 2024
Workgroup nominations (15 business days)	09 April – 02 May 2024
Workgroup 1	28 January 2025

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Workgroup 2	19 February 2025
Workgroup 3	18 March 2025
Workgroup 4	17 April 2025
Workgroup 5	13 May 2025
Workgroup Consultation (15 business days)	16 May – 06 June 2025
Workgroup 6 – Workgroup 10 (Assess Workgroup Consultation Responses and Workgroup Vote)	17 June 2025
Workgroup 7	15 July 2025
Workgroup 8	19 August 2025
Workgroup 9	23 September 2025
Workgroup 10	22 October 2025
Workgroup Report issued to Panel (5 business days)	20 November 2025
Panel sign off that Workgroup Report has met its Terms of Reference	28 November 2025
Code Administrator Consultation (15 business days)	05 – 26 December 2025
Draft Final Modification Report (DFMR) issued to Panel (5 business days)	23 January 2026
Panel undertake DFMR recommendation vote	30 January 2026
Final Modification Report issued to Panel to check votes recorded correctly	02 – 06 February 2026
Final Modification Report issued to Ofgem	10 February 2026
Ofgem Decision	TBC
Implementation Date	TBC

Appendix 3 – Panel Urgency Vote

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See separate attachment