



Making a positive difference
for energy consumers

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Delivered by email.

Dear Trisha,

Approval for CMP432: Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs to be treated as an urgent CUSC modification proposal

On 7 March 2024, SSE plc (the ‘Proposer’) raised Connection and Use of System Code (CUSC)¹ Modification Proposal CMP432: *Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs*². On 17 December 2024, the Proposer requested that the Proposal be treated as urgent based on Ofgem’s Urgency criteria³.

¹ See: [CUSC Code Documents | National Energy System Operator](#)

² See: [CMP432: Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs | National Energy System Operator](#)

³ [Code Modification Urgency Criteria](#)

The CUSC Panel (the 'Panel') met on 10 January 2025 to consider the Proposal and the request for urgency. Following the CUSC Panel meeting, on the same day, the Panel wrote to inform us⁴ of its majority view that CMP432 should proceed as an Urgent CUSC Modification Proposal⁵.

We have considered both the Panel's and the Proposer's arguments in relation to urgency and decided that CMP432 will progress on an urgent basis. This letter sets out our reasoning below.

Background

Transmission Owners (TOs) plan for a secure network based on the Security and Quality of Supply Standard (SQSS)⁶ requirements (criteria). As part of the SQSS, and to achieve secure and reliable power systems operation and planning, the transmission network requires a level of redundancy (additional network transfer capacity), for resilience purposes i.e. to allow the network to continue to accommodate power flows in the event of network faults, and or, outages.

To reflect this redundancy requirement in Transmission Network Use of System (TNUoS) charges, the methodology makes use of a Locational Onshore Security Factor which is used in deriving the Local £/kW Tariff and the Wider locational £/kW Tariff. This is where the zonal marginal km values are converted into costs and hence a tariff by multiplying by the Locational Security Factor. Therefore, the Security Factor has a material impact in the calculation of transmission tariffs and charges. The Proposer submitted CMP432 to change the Security Factor coefficient with the aim of improving cost reflectivity.

Urgency request

In its urgency request, the Proposer explained why it was requesting urgency, highlighting one of the three criteria set out in Ofgem's Guidance on Code Modification Urgency Criteria ('Ofgem's Urgency Criteria'): *(a) A significant commercial impact on parties, consumers or other stakeholder(s).*

The Proposer considers the Proposal should proceed under an urgent timeline on the basis that it would have a substantial impact on the value of TNUoS tariffs and therefore materially impact imminent commercial decisions. This the Proposer states will have

⁴ References to the "Authority", "Ofgem", "we", and "our" are used interchangeable in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

⁵ [CMP432 Urgency Request Letter](#)

⁶ See: [Security and Quality of Supply Standard \(SQSS\) | National Energy System Operator](#)

substantial implications for existing generators and new investment in generation and demand for the Great Britain (GB) energy system. The proposer also highlights that CMP432 would have a considerable impact on locational generator tariffs, and as such, will have interactions with the outcome of modifications CMP444 : *Introducing a cap and floor to wider generation TNUoS charges*⁷, CMP423: *Generation Weighted Reference Node*⁸ and CMP442: *Introducing the option to fix Generator TNUoS charges*⁹ and states that CMP432 should be progressed in parallel, or prior to these modifications.

Panel View

At the Panel meeting on 10 January 2025, a majority of Panel members agreed to recommend to Ofgem that CMP432 should be progressed as an Urgent CUSC Modification Proposal. The Panel's arguments for and against urgency are set out in their letter of 10 January 2025.

The majority of the Panel agreed with the Proposer's justification for urgency against Ofgem's criterion (a) *A significant commercial impact on parties, consumers or other stakeholder(s)*.

One Panel member argued that the current application of the locational onshore Security Factor within setting TNUoS has been established for some time and due to the longstanding nature of the existing arrangements which all stakeholders have been aware of, there was not a case for urgency. Another Panel member stated that the actual impact of the modification is not well known, and since urgency requests should be made on the basis of a known commercial impact, they do not agree on the nature of urgency. Two Panel members also shared similar views in respect to the unknown nature of the impact of this Proposal.

On the other hand, one Panel member argued that the magnitude of uncertainty that CMP432 poses could impact bids in the upcoming CfD¹⁰ AR7 auctions and therefore it satisfies Ofgem's urgency criterion (a). The other Panel members underlined that they agree with the Proposer's arguments on the nature of urgency of this modification Proposal.

7 See: <https://www.neso.energy/document/346166/download>

8 See: [CMP423: Generation Weighted Reference Node | National Energy System Operator](#)

9 See: [CMP442 - Introducing the option to fix Generator TNUoS charges | National Energy System Operator](#)

¹⁰ A Contract for Difference, or CfD is a contract between a renewable generator and the 'Low Carbon Contracts Company' guaranteeing that the generator will receive a specific price for every unit of electricity they export. These contracts are awarded through a government auction into which generators bid, taking into account their projected revenues and liabilities including TNUoS

Our decision

In reaching our decision, we have considered the details within the Proposal, the justification for the Proposer requesting urgency, and the Panel's letter recommending urgency and the proposed timeline.

We agree that the progression of the Proposal satisfies Ofgem's Urgency Criteria (a). Without making an assessment as to its merits, we acknowledge the Proposal seeks to address a current issue, which, if not urgently addressed, may cause significant commercial impacts to users by reducing investor certainty associated with projected future TNUoS charges.

Since the Security Factor is essentially a multiplier within the TNUoS methodology, CMP432 could have a significant commercial impact on stakeholders as any change to the Security Factor value will significantly impact generator TNUoS tariffs and therefore TNUoS charges. With respect to potential interactions with the proposed cap and floor mechanism through CMP444, we agree with the Proposer that CMP432 should be progressed in parallel, or prior to CMP444 "Cap and Floor" modification. We consider that the prospects of modifying the Security Factor post the introduction of the cap and floor could generate uncertainty and interact with levels of the cap and the floor if introduced. In addition, we expect the solutions proposed under CMP432 and the level of required analysis to be achievable within a short timeline and therefore, we consider it appropriate that the Proposal is granted urgency.

Additionally, we agree with the Proposer that the CMP432 decision should be made ahead of any fixed price TNUoS methodology as proposed through CMP442, as this would then allow any relevant changes to the methodology to be incorporated into NESO's forecast to allow tariffs to be fixed at an appropriate level. We consider that the effect of the Proposal in mitigating any commercial impacts and improving certainty for users would be greater if a decision is made following the proposed timeline in the Panel letter recommending urgency.

We therefore consent to this modification proposal being treated as urgent.

For the avoidance of doubt, in granting the request for urgency, we have made no assessment of the merits of the Proposal, or other related proposals, and nothing in this letter in any way fetters our discretion in respect of the Proposal.

If you have any comments or questions about this letter, please contact
shai.hassid@ofgem.gov.uk.

Yours sincerely,

Shai Hassid

Deputy Director for Electricity Charging and Market Design

Duly authorised on behalf of the Authority