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Meeting Summary – Workgroup 2

Meeting name: CMP432 Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs.

Date: 05/02/2025

Contact Details

Chair: Sarah Williams, sarah.williams@nationalenergyso.com

Proposer: John Tindal, john.tindal@sse.com

Key areas of discussion

Agenda Overview

The Chair outlined the agenda for the meeting, which included an action log review, the Proposers presentation, a presentation on the current treatment of the locational security factor by a Workgroup Member, AOB and next steps.

Action Log Review

The action log review was the first item on the agenda, focusing on the status of various actions from the last work group meeting.

Incremental Costs discussion

The Proposer explained the principles of long run incremental price signals, emphasising that the price signal should reflect incremental costs.

The Proposer and a Workgroup member debated the difference between incremental and actual costs, with the Proposer advocating for an incremental approach that reflects the contribution to reinforcement, while the Workgroup member highlighted the importance of considering the existing network and ensuring that all users pay their fair share.

The Proposer presented slides addressing the long run incremental price signal and the incremental cost caused by individual user decisions, emphasising that the price signal should reflect incremental costs.

Presentation on how charging wrongly implies N- numbers

The Proposer explained that the current charging methodology implies that every time a new circuit is added, an additional redundant circuit must also be added, leading to an ever-increasing number of redundant circuits (N-1, N-2, N-3, N-4, etc.). Noting that this is not reflective of actual network reinforcement practices.

The Proposer provided an example, explaining that when a new circuit is added without changing the fault condition, the security factor should be one. However, the current methodology assumes that additional security is always required, which is not the case in practice.

The Proposer argued that the long-run incremental price signal should reflect the actual incremental cost of security, which does not increase indefinitely with each new circuit. The current methodology's assumption of continuous increases in the fault condition is incorrect.

Security Factor discussion

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The Proposer explained the calculation of the security factor and its impact on the network, emphasising that the security factor should reflect long run incremental security rather than average existing security.

The Proposer presented the materiality of the security factor, showing that the highest impact is on northern intermittent generators. He explained that the impact on conventional carbon generation in the south is relatively small, as the bulk of conventional carbon generation is located in the south.

The Proposer explained that the security factor has a significant impact on the year-round tariffs for northern intermittent generators and provided data showing that the impact on tariffs for conventional carbon generation in the south is relatively small.

A Workgroup member provided examples of network planning, including the Sizewell and West Coast bootstrap projects, to illustrate the impact of security factors on network capacity and transfer capability.

The Proposer and a Workgroup member discussed the impact of strategic planning on network reinforcement and the role of individual generators in causing incremental security costs, with the Proposer arguing that strategic planning drives the need for reinforcement.

The Proposer presented slides explaining the Investment Cost Related Pricing methodology, the role of the locational security factor, and the importance of averaging to promote fairness and efficient reuse of the existing network.

Next Steps

The next work group meeting is scheduled for February 14th, with plans to review draft legal texts and the draft workgroup consultation. The meeting time was adjusted to 9:30 AM to 1:00 PM to accommodate a CUSC meeting.

Actions

For the full action log, click [here](#).

Action Number	Workgroup Raised	Owner	Action	Due by	Status
1	Share the SECULF model with the work group to enable replication of the calculation.	ND	29/01/2025	WG2	Ongoing
2	NESO to speak to teams internally to request industry access to VBA code within the Transport and Tariff Model	ND	29/01/2025	WG2	Ongoing
3	Share the Consultant's report	Proposer	29/01/2025	WG2	Ongoing

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4	Confirm attendance on OFGEM call in relation to CMP444	Chair	05/02/2025	WG3	Open
5	Invite additional members to the Workgroup	Chair	05/02/2025	WG3	Open
6	Keep Workgroup updated on whether an SME from NESO can attend the next Workgroup	ND	05/02/2025	WG3	Open
7	Send invites with amended time for the next Workgroup	Chair	05/02/2025	WG3	Open

Attendees

Name	Initial	Company	Role
Sarah Williams	SW	NESO Code Governance	Chair
Prisca Evans	PE	NESO Code Governance	Tech Sec
John Tindal	JT	SSE	Proposer
Neil Dewar	ND	NESO	NESO Representative
Paul Mott	PM	NESO	NESO Representative
Damien Clough	DC	SSE	Proposer Alternate
Paul Jones	PJ	Uniper	Workgroup Member
Alan Kelly	AK	Corio Generation	Workgroup Member
Binoy Dhari	BD	EDF	Workgroup Member
Giulia Licocci	GL	Ocean Winds	Workgroup Member
Hector Perez	HP	SP Renewables	Workgroup Member Alternate
Paul Jones	PJ	Uniper	Workgroup Member
Ryan Ward	RW	SP Renewables	Workgroup Member

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Simon Lord	SL	First Hydro Company	Workgroup Member
Tom Steward	TS	RWE	Workgroup Member
Andrew Urquhart	AU	SSE	Observer
Loukas Papageorgiou	LP	RWE	Observer
Sinan Kufeoglu	SK	OFGEM	Authority Rep
Zariha Rafiq	ZR	NESO	Observer