

Public

Final Modification Report											
<p>CMP469:</p> <p>GC0186 Cost Recovery mechanism for CUSC Parties</p> <p>Overview: The <u>GC0186</u> modification will place new obligations, within the Grid Code, upon Connection and Use of System Code (CUSC) Parties who are not contracted with National Energy System Operator (NESO) as Restoration Service Providers. Therefore, a one-year time extension of the codified cost recovery mechanism is required to prevent the affected parties being commercially disadvantaged by the implementation of the new obligations.</p>	<p>Modification process & timetable</p> <table border="1"> <tr> <td style="text-align: center;">1</td> <td>Proposal Form 11 March 2026</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Code Administrator Consultation 27 April 2026 - 19 May 2026</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Draft Final Modification Report 18 June 2026</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Final Modification Report 07 July 2026</td> </tr> <tr> <td style="text-align: center;">5</td> <td>Implementation 10 Business Days after Authority Decision</td> </tr> </table>	1	Proposal Form 11 March 2026	2	Code Administrator Consultation 27 April 2026 - 19 May 2026	3	Draft Final Modification Report 18 June 2026	4	Final Modification Report 07 July 2026	5	Implementation 10 Business Days after Authority Decision
1	Proposal Form 11 March 2026										
2	Code Administrator Consultation 27 April 2026 - 19 May 2026										
3	Draft Final Modification Report 18 June 2026										
4	Final Modification Report 07 July 2026										
5	Implementation 10 Business Days after Authority Decision										
<p>Have 5 minutes? Read our Executive summary</p> <p>Have 30 minutes? Read the full Final Modification Report</p> <p>Have 60 minutes? Read the full Final Modification Report and Annexes.</p>											
<p>Status summary: This report has been submitted to the Authority for them to decide whether this change should happen.</p>											
<p>Panel Recommendation: The Panel has recommended by majority that the Proposer's solution is implemented.</p>											
<p>This modification is expected to have a: High impact on Suppliers and Generators</p>											
<p>Governance route</p>	<p>Standard Governance modification to proceed to Code Administrator Consultation</p>										
<p>Who can I talk to about the change?</p>	<table border="0"> <tr> <td style="vertical-align: top;"> <p>Proposer: Garth Graham garth.graham@sse.com 01738 456000</p> </td> <td style="vertical-align: top;"> <p>Code Administrator Contact: Ren Walker Lurrentia.walker@neso.energy</p> </td> </tr> </table>	<p>Proposer: Garth Graham garth.graham@sse.com 01738 456000</p>	<p>Code Administrator Contact: Ren Walker Lurrentia.walker@neso.energy</p>								
<p>Proposer: Garth Graham garth.graham@sse.com 01738 456000</p>	<p>Code Administrator Contact: Ren Walker Lurrentia.walker@neso.energy</p>										

Public

Contents

What is the issue?	3
Why change?	5
What is the Proposer’s solution?	5
Legal text.....	5
What is the impact of this change?	6
Code Administrator Consultation Summary	7
Panel Recommendation vote	9
When will this change take place?	14
Date decision required by	14
Implementation approach.....	14
Interactions	14
Acronyms, key terms and reference material	15
Annexes	15

Public

What is the issue?

This proposal in essence duplicates the *issue* within CMP398¹ (which was approved by the Authority on 29 February 2024).

The Authority summarised CMP398 (in its decision letter²) in the following terms:

"It seeks to introduce a cost recovery mechanism into the Connection and Use of System Code (CUSC) for obligations that GC0156 imposed on CUSC parties without a Restoration contract. SSE believes that such parties would otherwise be at a commercial disadvantage stating that these CUSC parties without a restoration contract are the only obligated parties that would have costs arising from GC0156 but no funding mechanism..."

This is the same issue with respect to GC0186 which, like GC0156, relates to the Electricity System Restoration Standard.

In February 2026, National Energy System Operator (NESO) raised Grid Code Modification GC0186³ ("*Proposed Grid Code Changes – Post Electricity System Restoration Standard (ESRS)*") noting that "*This modification is expected to have a: High impact [on] Transmission System Operators, Transmission Owners, Network Operators and Generators*" [emphasis added].

Whilst details, of the GC0186 solution, is at an early stage of being developed we recognise that; as we did with GC0156; we need to raise a 'sister' CUSC modification in a timely manner (see below) to ensure an appropriate cost recovery mechanism is in place for the affected assets of Generator CUSC Parties (that do not have a Restoration Contract with NESO).

Based on the legal text introduced into the CUSC via an Alternative to our CMP398 modification, this modification proposes a simple one-year time

¹ See pages 3-4 of the proposal form: [download](#)

² [CMP398 Authority Decision](#)

³ [GC0186: Proposed Grid Code Changes – Post Electricity System Restoration Standard \(ESRS\) | National Energy System Operator](#)

Public

extension (of the CMP398, Workgroup Alternative CUSC Modification (WACM)1 solution).

Timing – why now?

The Proposer is mindful of the Authority’s statement with respect to a recent⁴ similar case where two CUSC Modifications (CMP456 and CMP466) were raised with respect to the cost recovery arising from a Grid Code (GC0168) modification:

“We note from the information provided that the need for a CUSC modification [CMP456/CMP466] was identified during the GC0168 Workgroup consultation, indicating that the interaction with the CUSC and requirement for a further potential cost recovery modification was recognised at a very early stage. We consider that the Proposer could have therefore raised this [CUSC] code modification Proposal at the very least in June 2025, potentially negating the need for a request for urgency, and that the circumstances presented as requiring urgent treatment arise from the Proposer’s actions rather than from an inherent urgency in the issue itself”⁵

Accordingly, with this Authority position in mind, the Proposer wished to raise this cost recovery modification to the CUSC in a timely manner.

GC0186 was first discussed at the February 2026 Grid Code Review Panel meeting. One week later, the intention to raise this CUSC proposal was flagged to CUSC stakeholders at the March 2026 Transmission Charging Methodologies Forum (TCMF) meeting, in line with good practice. During the ‘AOB’ item, the draft legal text (shown below) was also shared in the meeting chat. One week after that TCMF meeting, this modification proposal is now being raised.

⁴ 19th December 2025.

⁵ The Authority’s letter rejecting urgency status for CMP456 (they wrote in similar terms for CMP466) [download](#).

Public

In doing so, it is believed that this has ensured that “the interaction with the CUSC and requirement for a further potential cost recovery modification was recognised at a very early stage.”

Why change?

This change is needed to ensure that any legitimate costs, associated with ESRS compliance, from the changes that NESO’s Grid Code Modification GC0186 (and GC0156) introduces is recoverable by CUSC generation parties (as was the case with GC0156 and CMP398).

What is the Proposer’s solution?

The solution is simply to extend, by one calendar year, the deadline for ESRS related claims from the current (GC0156 based) deadline of 31st December 2026 to a new deadline of 31st December 2027 to allow 12 months more for GC0156 and /or GC0186 cost recovery claims to be submitted.

Legal text

*“6.37 GC0156 **and GC0186** Cost Recovery Claims*

*6.37.1 All CUSC Users that are Generators that are not Restoration Contractors (as defined in the Grid Code) may submit claims during the annual claims submission month for the recovery of the cost of compliance with the new obligations imposed on them via Grid Code modification GC0156 **or GC0186**. Claims will be assessed by The Company as described in paragraph 6.37.5. All costs that are assessed as being payable shall be paid out as described in paragraph 6.37.7.”*

6.37.4 The claims submission month will initially be September in each year, save that claims shall not be possible in September 2023. However, in 2027~~6~~, the claims submission month will be December 2027~~6~~, and this will be the last ever claims window. From 31st December 2027~~6~~, no more claims will be accepted.

*6.37.8 Each claimant shall use reasonable endeavours, exercising Good Industry Practice, to identify if compliance with the GC0156 **or GC0186** Grid Code requirements could be achieved at a materially lower cost by meeting a lesser*

Public

technical requirement (such as by providing resilience at their asset for fewer than 72 hours) and if so, then they shall advise The Company accordingly and liaise with The Company about possible solutions associated with a request to The Authority for a derogation against the Grid Code to the lesser level of resilience. If appropriate, The Company shall seek a derogation from The Authority on that basis. If the derogation request has been denied, or has not been granted by 1st December 2027~~6~~, then a claim can be submitted before 31st December 2027~~6~~ for assessment by The Company as per this section 6.37."

What is the impact of this change?

Generators, who'll be able to make a claim for their legitimate costs arising from GC0186 (as well as GC0156) for one (extra) calendar year, will be positively impacted.

As any legitimate cost claims will be recovered via the Balancing Services Use of System (BSUoS), Suppliers will be negatively impacted.

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(i) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	Positive Provide assurance that the new licence obligation issued in Oct 2021 can be satisfied and discharged in a non-discriminatory way.
(ii) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	Positive By ensuring that CUSC Parties who are obligated by the Grid Code (but do not have a relevant contract with the NESO) to undertake activities required for

Public

	ESRS are able to recover their bona fide costs this will facilitate effective competition in the generation and supply of electricity.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Neutral

* See *Electricity System Operator Licence*

***The Electricity Regulation referred to in objective (c) 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.*

Code Administrator Consultation Summary

The Code Administrator Consultation was issued on the 27 May 2026 closed on 19 May 2026 and received 5 non-confidential responses and 1 confidential responses, including no late responses. A summary of the responses can be found in the table below and **Annex 03**. The full responses can be found in **Annex 04**.

Code Administrator Consultation summary

Question

Do you believe that the CMP469 Original Proposal better facilitates the CUSC Applicable Objectives?

One respondent disagrees that the proposal better facilitates the Applicable CUSC Objectives.

Two respondents believe that CMP469 better facilitates Applicable CUSC Objectives (i) and (iv).

Two respondents believe that CMP469 better facilitates Applicable CUSC Objectives (i) and (ii.)

Do you support the proposed implementation approach?

Four respondents support the proposed implementation approach.

One respondent did not support the proposed implementation approach.

Do you have any other comments?

Respondents highlight benefits including improved system efficiency, non-discriminatory outcomes, consumer cost deferral, and alignment with related Grid Code changes, while noting the need for timely implementation.

Supporters also emphasise that extending deadlines and incorporating GC0186 requirements ensures fair compensation, with sufficient implementation time.

Legal text issues raised in the consultation

Public

No legal text issues were raised.

EBR issues raised in the consultation

No EBR issues were raised.

Panel Recommendation vote

The Panel met on the 26 June 2026 to carry out their recommendation vote.

They assessed whether a change should be made to the CUSC by assessing the proposed change and any alternatives against the Applicable Objectives.

Vote 1: Does the Original facilitate the Applicable Objectives better than the Baseline?

Panel Member: **Andrew Enzor, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)	
Original	Yes	Yes	Neutral	Neutral	Yes	
Voting Statement						
I broadly agree with the proposer's assessment in respect of the objectives. In particular: Objective (i) is better facilitated by ensuring that NESO licence obligations in respect of ESRS are implemented in a way which does not impose unavoidable costs on generators. As ESRS requirements have evolved, it is necessary for the scope and timeline of cost recovery to be extended to ensure this continues to be the case. Objective (ii) is better facilitated by ensuring that legitimately incurred costs by generators without a restoration contract in respect of evolving ESRS requirements can be recovered. Those costs will vary between generators; hence it would be detrimental to competition for generators to remain exposed to them.						

Panel Member: **Dan Arrowsmith, NESO Panel Member**

Public

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)	
Original	Neutral	Neutral	Neutral	No	No	

Voting Statement

NESO believes that Grid Code Modification GC0186 does not create additional costs for generators, and therefore that CMP469 has a misplaced statement of defect: Generators will be affected by GC0186 insofar as they will fall under a Regional Restoration Plan, which is why the “affected” box was ticked in relation to generators on the GC0186 proposal form - but NESO believes this is purely administrative, and that they will not be exposed to additional costs, or have to spend money, as a result.

NESO therefore believes that there is no defect for CMP469 to address, and that the modification serves only to provide additional, unnecessary complexity to the CUSC, and so would be negative against objective iv). NESO notes that this view is based on modification GC0186 as of June 2026, and that if GC0186 were to materially and unforeseeably change, NESO's view could also change.

NESO also notes that Grid Code Modification GC0156 was approved on 5th February 2024 by The Authority, entering into force on 4th March 2024; the new obligations it creates have to be fulfilled by generators by December 2026. CMP398 allows claims for costs that fall within its scope, as described therein, to be submitted up to 31st December 2026. NESO does not see a case for putting that deadline back by a year to 31st December 2027, as proposed in CMP469, and nor does NESO agree with an argument for linking CMP469 to Grid Code modification GC0186.

Panel Member: Garth Graham, Users’ Panel Member

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)	
Original	Yes	Yes	Neutral	Neutral	Yes	

Voting Statement

Public

Having reviewed the documentation; including the responses to the Code Administrator Consultation; I believe that this Proposal does better facilitate Applicable Objectives (i) and (ii) whilst being neutral in terms of (iii) and (iv).

In coming to this view I have, in particular, been mindful of the comments from NESO and RWE.

In respect of NESO it seems that their core argument is that ‘none of the provisions (of GC0186) are expected to have a cost implication for Generators’. Putting to one side that they are not a Generator, so it will be interesting to know how they have come to that definitive conclusion, if this were indeed to come to pass then no valid (GC0186 related) claims would be submitted.

However, as other parties, i.e. Generators, have observed in their responses, there is a valid contrary view to this NESO position (that legitimate claims will arise) and, as such, addressing this, via CMP469, will better facilitate effective competition in generation etc., etc., than the baseline.

Of greater significance, for system operations (which falls, in my view, within Applicable Objective (i) in terms of NESO duties from the Licence and Act) and end consumer impacts, are the comments from RWE – who point out that this proposal will aid NESO’s operation of the system in terms of reducing the need for outages over the 2026/27 winter period (when, according to NESO’s initial Winter Outlook published this week, generation margins are expected to be tighter than last winter) and that the BSUoS impact (from valid claims) is expected to be spread over a longer period (even if (as NESO argues) no GC0186 claims will actually arise) which will benefit end consumers.

Panel Member: **Joe Colebrook, Users’ Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)	
Original	Yes	Yes	Neutral	Neutral	Yes	
Voting Statement						
Objective (i) and (ii) Positive - Extending the deadline for cost recovery and including GC0186 requirements ensures fair compensation for CUSC parties complying with Grid Code requirements. Only legitimate claims should be submitted and paid if verified. The current deadline is seen as inappropriate given the evolving regulatory landscape, reinforcing the						

Public

need for the proposed modification. If there is no cost to generators, as suggested by one consultation response, then no claims will be paid out.

Objective (iii) Neutral - The modification is assessed as not impacting the Electricity Balancing Regulation (EBR) Article 18 terms and conditions within the Code.

Objective (iv) Neutral - No impact on the administration of CUSC arrangements, as the claims process already exists.

Panel Member: **Joe Dunn, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)	
Original	Yes	Yes	Neutral	Neutral	Yes	
Voting Statement						
I agree with the proposers impact assessment against the ACOs in: i) enabling non-discriminatory discharge of satisfying obligations relating to GC0186 and GC0156, and ii) enabling (where not currently contractually enabled) recovery of relevant costs obliged by the grid code with respect to ESRS - thereby better facilitating competition.						

Panel Member: **Kyran Hanks, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)	
Original	Yes	Yes	Neutral	Neutral	Yes	
Voting Statement						
This proposal allows costs imposed by the licence conditions to be recovered. This allows the efficient discharge of the licensee's obligations and hence objective (i) is met.						
Allowing the recovery of reasonable costs, for activities mandated by the Grid Code, will facilitate competition in generation. Hence objective (ii) is met.						

Public

Panel Member: **Paul Jones, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)	
Original	Yes	Neutral	Neutral	Neutral	Yes	
Voting Statement						
<p>The modification would make provision for implementing a cost recovery mechanism should one be necessary under GC0186. Strictly speaking this change is not necessary until it is established that GC0186 would indeed impact generators directly. However, Ofgem has indicated that such mechanisms should be sought early in the process, albeit perhaps with the assumption that this would be once such a requirement has been identified. Nevertheless, CMP469 would allow a process to be put in place quickly should one be needed and could be presented to Ofgem so that it could be approved alongside GC0186 if needed. This would allow NESO to meet its licence obligations more efficiently.</p>						

Panel Member: **Tom Lowe, Consumers' Panel Member – Abstained**

Vote 2 – Which option best meets the Applicable Objectives?

Panel Member	Best Option	Which objectives does this option better facilitate? (if baseline not applicable).
Andrew Enzor	Original	(i), (ii)
Dan Arrowsmith	Baseline	n/a
Garth Graham	Original	(i), (ii)
Joe Colebrook	Original	(i), (ii)
Joe Dunn	Original	(i),(ii)
Kyran Hanks	Original	(i),(ii)

Public

Paul Jones	Original	(i)
Tom Lowe	Abstained	n/a

Panel Conclusion

The Panel has recommended by majority that the Proposer's solution is implemented.

When will this change take place?

Implementation date:

10 Business Days after an Authority decision.

Date decision required by

To align with GC0186.

Implementation approach

It will be necessary to extend the existing CMP398 based claims process (as set out in 6.37 of the CUSC) by one year; from 31st December 2026 (baseline) to a new deadline of 31st December 2027.

Interactions

- | | | | |
|--|--|---|--------------------------------|
| <input checked="" type="checkbox"/> Grid Code | <input type="checkbox"/> BSC | <input type="checkbox"/> STC | <input type="checkbox"/> SQSS |
| <input type="checkbox"/> European
Network Codes | <input type="checkbox"/> EBR Article 18
T&Cs ¹ | <input type="checkbox"/> Other
modifications | <input type="checkbox"/> Other |

CMP469 is a consequential modification to GC0186.

Public

Acronyms, key terms and reference material

Acronym / key term	Meaning
AOB	Any Other Business
BSC	Balancing and Settlement Code
BSUoS	Balancing Services Use of System
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
ESRS	Electricity System Restoration Standard
GC	Grid Code
NESO	National Energy System Operator
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TCMF	Transmission Charging Methodologies Forum

Annexes

Annex	
Annex 01	CMP469 Legal text
Annex 02	CMP469 Proposal Form

Public

Annex 03	CMP469 Code Administrator Consultation Responses Summary
Annex 04	CMP469 Code Administrator Consultation Responses