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## CUSC Alternative Form – Non-Charging

# CMP470 Alternative Request 02: Alternative Fixed One-Off Security

**Overview:** This alternative request proposes a fixed £1.5k/MW OTCF fee payable 9 months from date of receipt of connection offer as a one off payment and fully refundable on energisation.

**Proposer:** Nathan Stevenson, Firstway Energy

☒ I/We confirm that this Alternative Request proposes to modify the non - charging section of the Connection and Use of System Code (CUSC) only

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## What is the proposed alternative solution?

This alternative request seeks to establish a fair and proportionate balance of risk, whilst seeking to reduce the queue and also to simplify a process which is becoming overly complex and overly regulated.

The proposal is as follows:

1. Single one off payment applicable to all Gate 2 BESS projects regardless of being in the oversubscribed queue;
2. Capped at £1.5k/MW applicable to all Gate 2 projects regardless of being in the oversubscribed queue;
3. The fee becomes payable 9 months from acceptance of Gate 2 grid offer, applicable to all projects; and
4. Fully refundable on energisation

## What is the difference between this and the Original Proposal?

The Original Proposal sets out that the primary reasons for the introduction of the OTCF are two fold:

1. There is insufficient incentive on projects which receive a Gate 2 offer but which are neither buildable or not economically viable to leave the queue; and
2. There is no mechanism by which National Energy System Operator (NESO) can select the most viable projects from those which are protected.

We consider that Pay to Stay proposal at the levels of the Original Proposal will be anticompetitive and ultimately will not determine the most buildable, fundable, insurable and deliverable projects.

Notwithstanding the above, this Alternative Requests seeks to amend the following Design Parameters:

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## 1. Activation and Deactivation Thresholds

The Original Proposal Activation and Deactivation Thresholds will introduce undue and unnecessary implementation. There is no clear strategy outlining how these measures would be managed, funded and implemented and how it accords with timescales.

The Objectives of CUSC include promoting efficiency in the implementation and administration of the CUSC arrangements. The Original Proposal delivers the opposite to the objectives and risks creating additional procedural burden and regulatory complexity.

By contrast, our Alternative Request Proposal introduces a single one-off payment applicable to all BESS projects in the Gate 2 queue. It is considered that this Alternative Request Proposal better aligns with and more effectively meets the objectives.

## 2. Timing

The Original Proposal seeks to implement the OTCF in July 2027 for payment in October 2027.

We consider that this approach creates an unintended and unfair advantage to those customers and projects who receive Gate 2 offers in line with the NESO Revised Timeline in Mid 2026 (Gate 2 Phase 1 Transmission). Under the Original proposal, these projects could remain in the queue for 12 – 18 months while holding capacity and assess project viability before any financial commitment becomes payable.

Our Alternative Request Proposal is for payment of the OTCF to be 9 months from acceptance of Gate 2 offer. The benefit of this approach is that the obligation applies consistently and at an early stage across all projects encouraging faster decision making and supporting accelerated queue attrition.

Importantly, the 9-month period will allow for projects to be appropriately market tested as ultimately, the market will determine which are the most viable, deliverable and developable projects.

For example, in the instance of a Ready to Build (RTB) developer, a developer will receive the Gate 2 offer, accept the offer and then proceed to market. If there are no takers in the market due to failing strict due diligence tests, the developer has the time to amend the project and re market, if the market continues to indicate that the project is not deliverable

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then the RTB developer is very likely not to post the required security to remain in the queue, thereby removing not deliverable projects.

### 3. Securities Level

The Original Proposal has been amended and now starts at £3k/MW initially, increasing to £5k/MW and then in £5k/MW increments up to a cap of £25k/MW. In real terms, for a developer holding a 1GW pipeline of otherwise deliverable projects could be required to post up to £25,000,000 of additional securities at the ramped up rate of £25k/MW.

Firstly, we have significant concerns with the ramping up pay to stay structure over time. A project could be perfectly buildable, fundable, insurable and deliverable but could continue to be penalised on a pay to stay basis for reasons completely out of the control of the project.

Imposing continually increasing charges in these circumstances cannot be considered fair or proportionate. Instead, it risks penalising viable projects.

Our Alternative Request Proposal is for a single one-off payment of £1.5k/MW. It is considered that this level of security strikes a fair and proportionate balance and will make all developers of projects think very hard before committing to this payment to stay in the queue.

## What is the impact of this change?

This Alternative Request Proposal introduces a simple, fair and proportionate mechanism designed to speed up queue attrition while reducing unnecessary administrative complexity and importantly, allowing the market time to decide on the most deliverable projects.

By implementing a single, one-off payment of £1.5k/MW payable 9 months following acceptance of a Gate 2 offer, the proposal encourages early project commitment and enables effective market-led testing of project viability. This approach is expected to accelerate queue attrition and prioritise projects that are genuinely deliverable.

Unlike the Original Proposal, the Alternative Request avoids escalating “pay-to-stay” charges that may disproportionately penalise viable projects for factors beyond their

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control. The proposal provides certainty for developers and investors, supports investment confidence, and aligns incentives toward project delivery rather than continued queue occupation.

Overall, the Alternative Request Proposal better promotes efficiency, proportionality, and simplicity in the implementation and administration of CUSC arrangements, while supporting improved system outcomes and consumer benefit.

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*;	<b>Neutral</b>
(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;	<b>Positive</b>  The Proposal will allow time for the market to decide on the most deliverable projects.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	<b>Neutral</b>
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	<b>Neutral</b>

\* See Electricity System Operator Licence

\*\*The Electricity Regulation referred to in objective (iii) 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.

## When will this change take place?

**Implementation date:** As soon as possible.

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**Implementation approach:** As per the Original proposal – Some NESO tools may need to be updated, potentially alongside those for the Distribution Network Operators (DNOs).

## Acronyms, key terms and reference material

Acronym / key term	Meaning
BESS	Battery Energy Storage System
CapEx	Capital Expenditure
CUSC	Connection and Use of System Code
DNOs	Distribution Network Operators
ENA	Electricity Network Association
G2TWQ	Gate 2 To Whole Queue
GW	Gigawatt
NESO	National Energy System Operator
OTCF	Oversubscribed Technologies Commitment Fee
RTB	Ready to Build