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CUSC Alternative Form – Non Charging

CMP470 Alternative Request 1: Minor changes in how the OTCF value increments after activation.

Overview: This proposed alternative seeks to make a minor modification to the Original solution by revising how the Oversubscribed Technology Commitment Fee (OTCF) value is revised after activation when the oversubscription value changes. It will also give the National Energy System Operator (NESO) discretion to 'reset' the OTCF to £0/MW if needed.

Proposer: Grahame Neale, Lightsource bp

☒ I/We confirm that this Alternative Request proposes to modify the non - charging section of the CUSC only

What is the proposed alternative solution?

The proposed alternative solution seeks to lean heavily on the Original proposal but make minor changes in how the £/MW OTCF value increments after activation. The original solution currently has 3 'bands' based on oversubscription percentage thresholds and this alternative will vary how the OTCF value changes in each band as follows:

- <25% oversubscription – OTCF increments downwards towards £0/MW (e.g. £5k/MW to £3k/MW).
- 25% to 50% oversubscription – OTCF value is unchanged.
- >50% oversubscription – OTCF increments upwards towards the maximum (e.g. £5k/MW to £10k/MW). This is unchanged from the Original.

For clarity, we are not proposing any changes to maximum (£25k/MW), minimum (£3k/MW) or incremental (£5k/MW biannually) values or threshold percentages (currently 25% and 50%) by which the OTCF is applied.

We are also considering how co-located oversubscribed technologies are handled in the OTCF and would like to align with the Original if possible once details are known.

Finally, we would welcome views on adjusting the Original solution's parameter 9 to give NESO discretion to accelerate any OTCF decrease by 'resetting' the value if needed rather than waiting for the OTCF to increment back to £0. This discretion would not apply to accelerating an increase in the OTCF.

What is the difference between this and the Original Proposal?

The difference between this alternative and the Original is how the OTCF changes based on the oversubscription 'band'.

Oversubscription %	Original	Alternative
<25%	OTCF deactivated	Incremental decrease
25% to 50%	Incremental increase	No change
>50%	Incremental increase	Incremental increase

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What is the impact of this change?

Under the Original proposal, there is a 'cliff edge' at the lower threshold after activation where the £/MW OTCF value resets to £0 from the current value (between £3k/MW and £25k/MW). This means if the OTCF is activated and the market sees projects terminating, there is an incentive for unviable projects to 'hold and hope' (rather than terminate) for the prospect that other projects will terminate first allowing them to receive a full refund of their OTCF once it's deactivated.

Whilst this alternative does not fully eliminate this risk, it does dilute the risk across a longer period of time and mean that the OTCF may never reset to zero if a significant number of projects exhibit this behaviour.

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*;	Neutral
(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 Similar to the Original but provides a stronger incentive for unviable projects to act based on their own project rather than evaluating their chances relative to others.
(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.	Positive Same as the Original.
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* 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:

Same as Original.

Implementation approach:

Same as Original.

Acronyms, key terms and reference material

Acronym / key term	Meaning
CUSC	Connection Use of System Code
NESO	National Energy System Operator
OTCF	Oversubscribed Technology Commitment Fee