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## CUSC Alternative Form – Non Charging

# CMP470 Alternative Request 5: OTCF Cap and Floor

**Overview:** This proposed alternative would cap the Oversubscribed Technology Commitment Fee (OTCF) at the maximum value equal to the maximum-security liability that a project would be liable to pay under its existing security profile.

All other aspects of the Original proposal would remain the same.

**Proposer:** Lee Wilkinson, OnPath Energy

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

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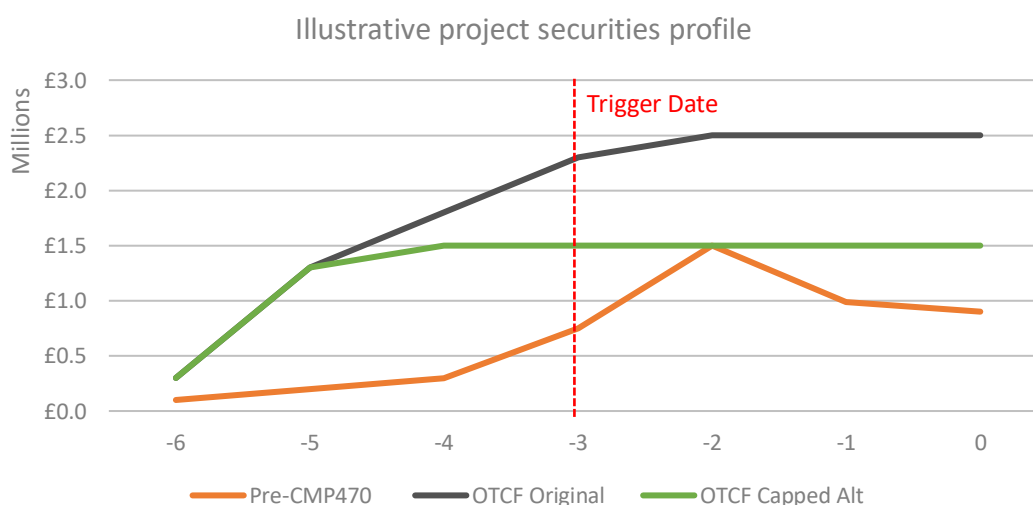
## What is the proposed alternative solution?

This alternative would cap the OTCF at a value equal to the maximum-security liability a project would be required to post at any point ahead of the energisation date.

The OTCF would ramp up at the same rate as in the Original Proposal, with the same frequency. However, on a project-by-project basis the OTCF would be capped at a set value according to each project's security liability profile.

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

This alternative would mirror the Original proposal, with the exception that the OTCF would be capped on a project-by-project basis, at a value equal to the maximum-security liability for that project. This concept is illustrated below.



There are two primary reasons for change as stated in the Original proposal.

*"There is insufficient incentive on projects which receive Gate 2 Offers but which are either not buildable or economically attractive to leave the queue. In fact, the value placed on a Gate 2 Offer incentivises unviable projects to remain in the*

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*queue for as long as possible, to “buy time” to resolve problems or in the hope of improved project economics.”*

*“Many projects have very low cancellation charges and securities, particularly in the earlier stages of development. For example, projects which will use a pre-existing substation bay will likely have zero securities prior to trigger date (at which point wider securities are applied). Remaining in the queue is therefore a free option for projects with the most attractive grid connections. Some of those projects will not be viable, but currently face no incentive to leave the queue until progression milestones bite and/or securities ramp up closer to connection.”*

The Original proposal will require developers of BESS projects to post securities sooner than they otherwise would, forcing them to make a decision on viability and incentivising quicker attrition in the queue.

However, we disagree with the contention that many projects having very low cancellation charges and securities is a deficiency of the current system which needs to be resolved by a securities floor through the OTCF. Projects which make use of existing infrastructure, or trigger minimal reinforcements, are at a strategic advantage which is to the betterment of the system overall. Removing differences in the securities which are required by different projects would reduce competition in the market. This alternative proposal would solve this by ensuring that the OTCF would be capped at the maximum securities a project would have to post in any event. This would achieve the same outcome in that projects would be required to post securities sooner and expedite the decision on viability, encouraging attrition, without distorting competition between different BESS projects.

## What is the impact of this change?

This change would maintain a difference that exists between BESS projects, protecting competition, and ensuring that incentives to leave the queue are proportional to the impact a project has on the system and the ability of NESO and Network companies to efficiently design and build the system.

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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>  This modification would incentivise project developers to make timely decisions on the viability of their projects, by expediting the requirement to post securities, thereby accelerating attrition in the connection queue for oversupplied projects, enabling more viable projects to utilise available grid capacity. It would also retain a differential between securities owed by different 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>  No impact
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	<b>Positive</b>  Reducing the volume of oversupplied projects in the queue will make network design and provision connection offers more efficient.

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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:

10 days following decision by the Authority. Practical implementation would be in the July 2027 security statement, with actual securities required to be placed in September 2027. (Same as the Original proposal).

### Implementation approach:

Same as the Original proposal.

## Acronyms, key terms and reference material

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