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CUSC Alternative Form – Non Charging

CMP470 Alternative Request 9: Two-Stage OTCF: Proportionate Treatment of Post-2030 Projects

Overview: This Alternative Request proposes a two-stage Oversubscribed Technologies Commitment Fee (OTCF) structure based on the project connection date, with a lower far-term OTCF rate for pre Trigger Date and a cap preventing the OTCF from exceeding the project's maximum Cancellation Charge Secured Amount at each biannual securities statement.

Proposer: Simon Wragg, Ethos Green Energy Solutions Ltd and Joe Colebrook,
Innova Renewables Ltd – Date: May 2026

☒ 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?

Issue or defect this Alternative seeks to address

The Original solution applies a single Oversubscribed Technologies Commitment Fee (OTCF) rate to all BESS projects regardless of connection date and does not prevent the OTCF from exceeding the value of the project's actual Cancellation Charge Secured Amount (securities). These are two distinct but related defects and this Alternative addresses both together.

Defect 1: The Original does not distinguish between projects with materially different commercial positions.

A project with a connection date post Trigger Date can realistically pursue sale, funding, or Final Investment Decision (FID) during or shortly after the period in which the OTCF applies. For such a project, the OTCF functions as ordinary working capital secured against a near-term commercial outcome.

A project with a connection date pre-Trigger Date. No credible buyer or funder will commit to a Battery Energy Storage System (BESS) project pre-Trigger date. For developers without large corporate balance sheets, the OTCF in this period functions as high-risk, unsecured development finance carrying a typical cost of capital of 15-20% per annum compounded. Applying a flat £2,000/MW rate uniformly to both categories is not proportionate to the commercial reality of the longer-dated project.

Beyond the funding question, projects which are pre Trigger date have no viable market exit position at all. The key commercial indicators that drive BESS project value – power price forward curves, capacity market auction clearing prices, flexibility and ancillary service revenue forecasts, and battery technology cost trajectories – cannot be predicted with sufficient confidence at that horizon. No secondary market buyer will underwrite the commercial risk of a BESS project that far from connection, not because of unwillingness but because the market information needed to price the asset does not exist. The result is that a developer with a 2032 or later connection date, assessed in 2026 or 2027, has no realistic route to exit their position through a commercial transaction. The OTCF cannot function as an exit incentive through the mechanism of sale – the exit avenue does

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not exist. It functions only as a cash cost, which compounds at the developer's cost of capital for the entire far-term holding period.

This Pre/Post Trigger date is the point at which projects become liable for their full attributable cancellation charge under the connection agreement. It is coherent and consistent to use the same date as the reference point for a meaningful differentiation in the OTCF rate.

Defect 2: The Original does not prevent the OTCF from exceeding the project's maximum lifetime Cancellation Charge Secured Amount.

The OTCF is designed as a top-up to existing securities, intended to ensure all projects maintain a meaningful financial commitment to the queue. It should not – by the Proposer's own framing – impose a burden that exceeds the economic stake of the connection itself. Where the OTCF floor rises above the project's actual maximum lifetime Cancellation Charge Secured Amount (the securities that would crystallise on cancellation), the OTCF is no longer functioning as a proportionate commitment signal; it is an arbitrary penalty disconnected from the connection's real economics.

WACMI (On Path Energy) has already accepted this principle and proposes a cap at the project's maximum Cancellation Charge Secured Amount. This Alternative aligns with that cap mechanism and combines it with the two-stage rate structure to produce a single, coherent proposal.

Proposed Alternative Solution

3.1 Two-Stage Rate Structure

The OTCF floor at each biannual securities statement shall be determined by reference to the project's connection date as at that statement date:

Connection date	OTCF floor at activation
Post Trigger Date of the securities statement date	£2,000/MW
Pre Trigger Date from the securities statement date	£1,000/MW

For staged projects, the connection date of the relevant stage shall be used.

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3.2 Escalation

If total oversubscription across the relevant technology does not reduce by more than 25% between consecutive biannual securities statements, the OTCF floor shall increase as follows:

Near-term tier (connection Post Trigger date): increases by £2,000/MW per biannual period.

Far-term tier (connection Pre Trigger date): increases by £1,000/MW per biannual period.

When a project's connection date falls Post Trigger Date at a given biannual securities statement, it migrates from the far-term tier to the near-term tier at that statement. The escalated near-term floor applies from that point.

3.3 Cap at Maximum Cancellation Charge Secured Amount

Consistent with the principle established in WACM1, the OTCF applicable to any project at any biannual securities statement shall not exceed that project's maximum Cancellation Charge Secured Amount as calculated at that statement (i.e. the total securities that would crystallise on cancellation at that point in time).

There is no minimum floor that overrides this cap. If the calculated OTCF floor - applying the two-stage rate and any escalation - would exceed the project's maximum Cancellation Charge Secured Amount, the OTCF is capped at the Cancellation Charge Secured Amount.

3.4 Ceiling

The absolute ceiling of £8,000/MW (as per WACM3) applies across both tiers. No OTCF shall exceed £8,000/MW.

3.5 Other Parameters

All other design parameters of the Original solution are unchanged: activation threshold at 50% oversubscription, de-activation at 25%, timing of application,

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treatment of co-located projects, interaction with the PCF, and 100% securitisation of the OTCF.

The OTCF applicable to an individual project deactivates at the **M8 Milestone** (project construction). The OTCF obligation for a project ceases upon achievement of M8, at which point any OTCF held is returned. A project that has not yet reached M8 continues to be subject to the OTCF at each biannual securities statement, regardless of whether its contracted connection date has passed. This is the same as CMP470 WACM2.

3.6 Summary

Project	Connection timing	OTCF at activation	Cap applies when
Far-term project	Pre Trigger Date	£1,000/MW	OTCF > Maximum Secured CC
Near-term project	Post Trigger Date	£2,000/MW	OTCF > Maximum Secured CC
After tier migration	Project crosses Trigger Date	Moves to £2,000/MW rate at next statement	OTCF > Maximum Secured CC
Project deactivation	Achievement of M8 Milestone	OTCF ceases; held amount returned	—

Worked Examples

Example A: Far-term substation extension project, 200MW, connecting 2033 (assessed 2027)

Metric	Value
Connection date	6 years from statement date
Maximum Cancellation Charge Secured Amount	~£8,000/MW (~£1,600,000 total)



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At activation (far-term tier, 2027):

Metric	Value
OTCF rate (far-term tier)	£1,000/MW
OTCF principal	£200,000
Cap applies?	No - £1,000/MW well below £8,000/MW secured CC
OTCF applied	£1,000/MW (£200,000 total)

After 3 escalation increments (near-term tier, escalated to £8,000/MW):

Metric	Value
OTCF floor under near-term escalation (4 increments: £2k + 3×£2k)	£8,000/MW
Maximum Cancellation Charge Secured Amount	£8,000/MW (£1,600,000 total)
Cap applies?	Yes - OTCF floor equals Secured CC; further escalation is blocked
OTCF applied	£8,000/MW (£1,600,000 total - capped)

Under the Original without this Alternative's cap (at full escalation):

Metric	Value
OTCF at full escalation (£25,000/MW)	£5,000,000
Maximum Cancellation Charge Secured Amount	£2,000,000



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OTCF as a multiple of secured CC	2.5× the total value of the connection's securities
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The developer posts £200,000 at activation – a meaningful obligation. As the project migrates to the near-term tier and the OTCF escalates, the cap bites at £10,000/MW, preventing the OTCF from exceeding £2,000,000. Without the cap, the Original proposal would impose up to £5,000,000 – 2.5 times the total Cancellation Charge Secured Amount – which is disproportionate and bears no relationship to the connection's economics. The OTCF ceases and is returned upon the project's achievement of M8.

Example B: Far-term project migrating to near-term, 400MW, connecting 2030 (assessed 2026 then 2028)

At April 2026 securities statement (4+ years away):

Metric	Value
OTCF rate	£1,000/MW
OTCF principal	£400,000
Real financing burden (20% p.a. × 2 years)	~£144,000

At April 2028 securities statement (2 years away – now Post Trigger date):

Metric	Value
OTCF rate migrates to near-term tier	£2,000/MW
OTCF principal	£800,000

The escalating commitment signal intensifies as the connection date approaches and commercial monetisation becomes realistic – precisely the point at which the developer can be expected to carry the obligation. The OTCF ceases and is returned upon achievement of M8.



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Example C: Near-term substation extension project, 400MW, connecting 2028 (assessed 2026)

Metric	Value
Connection date	2 years away
OTCF rate (near-term tier)	£2,000/MW
OTCF at increment 4 under WACM3 escalation	£8,000/MW
Maximum Cancellation Charge Secured Amount	~£6,000/MW (~£3.2m total)
Cap bites?	At increment 3 and above
OTCF at increment 4 (capped)	£6,000/MW

The cap prevents escalation beyond the Cancellation Charge Secured Amount value at each statement date.

Example D: Finance cost comparison, 400MW project connecting 2032, assessed 2026

	Original (£3k/MW, flat)	This Alternative (£1k/MW, far-term)
OTCF principal	£1,200,000	£400,000
Financing cost at 20% p.a. × 6 years	£2,383,181	£794,394
Total real burden	£3,583,181	£1,194,394

At £1,000/MW the commitment is still material – £400,000 in secured working capital – and will cause genuinely speculative projects to exit. The reduction reflects the compounded financing reality of the longer carrying period, not an attempt to avoid the fee.



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What is the difference between this and the Original Proposal?

The Original proposal applies a single flat OTCF rate to all BESS projects regardless of connection date, with no reference to the project's actual Cancellation Charge Secured Amount. The floor starts at £3,000/MW and escalates in £5,000/MW increments to an absolute ceiling of £25,000/MW.

This Alternative differs from the Original in two respects only:

Rate differentiation by connection date. The Original proposal treats a project connecting in 2028 identically to one connecting in 2034. This Alternative recognises that these projects are in materially different commercial positions. A developer with a 2034 connection date has no viable route to sale or FID and no secondary market exit available to them – the forward price signals and market indicators needed to value that project simply do not exist at a seven-to-eight-year horizon. Requiring that developer to carry the same OTCF as a near-term project imposes a disproportionate burden with no corresponding commercial optionality. The two-stage rate – £2,000/MW Post Trigger date, £1,000/MW Pre Trigger Date – calibrates the commitment signal to the commercial reality of each project's position.

Cap at maximum Cancellation Charge Secured Amount. The Original proposal places no upper limit on the OTCF relative to the connection's actual secured value. It can therefore escalate to a multiple of the total securities that would crystallise on cancellation. This Alternative prevents that outcome: the OTCF cannot exceed the project's maximum Cancellation Charge Secured Amount at each biannual statement. The proposal form itself states that the OTCF is not intended to place excessive burden on projects – applying an OTCF that exceeds the entire secured value of the connection is not consistent with that intent.

Both changes narrow the distance between the OTCF and the commercial and economic reality of each project. Neither change affects the activation mechanism, escalation logic, de-activation threshold, or any other parameter of the Original proposal.

Note for Workgroup context: The cap mechanism in this Alternative is consistent in principle with the cap proposed in WACM1 (On Path Energy), and the near-term rate of £2,000/MW is consistent with the floor level proposed in WACM3 (ENSO). This Alternative is submitted as a standalone improvement on the Original proposal and is not dependent on either WACM. Its distinguishing feature – not

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present in any existing WACM – is the combination of timing-based rate differentiation with the cap.

What is the impact of this change?

Why this Alternative better facilitates the CUSC Objectives

Proportionality across connection dates (Objective ii – facilitating effective competition):

A flat OTCF rate structurally disadvantages independent developers with longer-dated post-2030 projects. A £2,000/MW OTCF on a 400MW project creates a £800,000 principal obligation. Carried at 20% compounded for six years before any realistic sale or FID, the real financing burden exceeds £2.4 million – more than three times the headline figure. This creates a structural advantage for well-capitalised portfolio developers who can absorb the OTCF from a corporate balance sheet, and disadvantages smaller and independent developers for whom the compounded financing cost is a genuine barrier. That outcome is contrary to the objective of facilitating effective competition. A reduced rate of £1,000/MW for projects pre Trigger Date is still a meaningful commitment: at £1,000/MW, a 400MW project must find and carry £400,000 in secured working capital. This is not a free pass. It is a genuine queue-exit signal that will cause speculative projects to exit, calibrated to reflect both the additional financing burden of the longer carrying period and the absence of any viable commercial exit route during that period. No viable market exit position for far-term projects (Objective ii – facilitating effective competition): For projects per Trigger Date, there is no functional secondary market exit. The forward price signals, capacity market values and technology cost curves that determine BESS project value cannot be modelled with sufficient confidence at a five-to-seven-year horizon. A developer holding a 2032 connection date in 2026 cannot sell that project – not because their project is unviable, but because no rational buyer can underwrite the commercial risk at that distance. Applying the same OTCF rate as a project two years from commercial delivery, where exit through sale is a realistic option, treats materially different situations identically. The far-term developer bears the same cash cost but none of the optionality that makes that cost proportionate for the near-term developer. Preventing distressed consolidation (Objective ii): If the OTCF is set at a rate that independent developers with long-dated projects cannot

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sustain, those developers may be forced to sell at distressed values to well-funded portfolio players. This would not reduce queue capacity – it would simply transfer it to larger balance sheets. That outcome is contrary to the competition objective and contrary to the policy intent of the Proposal. Cap prevents disproportionate exposure (Objective ii – facilitating effective competition): WACM1 has accepted the principle that the OTCF should not exceed the project's maximum Cancellation Charge Secured Amount. This Alternative adopts the same principle. For projects connecting to pre-existing infrastructure – spare bays, existing substations – the Cancellation Charge Secured Amount at early stages may be minimal. An uncapped OTCF on such projects is a penalty that bears no relationship to the actual network economics of the connection. The cap ensures the OTCF remains a proportionate commitment signal at all escalation levels. Alignment with Workgroup consensus values (Objective iv – promoting efficiency): The rates proposed in this Alternative – £2,000/MW for near-term projects and £1,000/MW for longer-dated projects, escalating by £2,000/MW per biannual period – are consistent with the values proposed by ENSO in WACM3 (a liabilities floor of £2,000–£8,000/MW). This Alternative adopts that rate architecture while adding the timing differentiation and cap that WACM3 does not include. It does not introduce arbitrary new figures; it applies the Workgroup's own emerging consensus rates in a more targeted and proportionate way. Simple, certain, administrable (Objective iv): The Trigger date is a binary rule based on the project's connection date, already known to NESO and the developer at each biannual securities statement. It requires no new data. The cap uses the maximum Cancellation Charge Secured Amount, already calculated at each biannual securities statement. Both parameters are directly derivable from existing data with no additional administrative burden. **Impact on Code and Systems** Two additions to the legal text are required beyond the Original proposal: A condition that the OTCF floor for each project is determined by reference to the project's connection date at the relevant biannual securities statement, applying the near-term rate (£2,000/MW) where the connection date is post Trigger date and the far-term rate (£1,000/MW) where it is pre Trigger Date, with escalation applied separately to each tier. A condition that the OTCF applicable to any project at any biannual securities statement shall not exceed that project's maximum Cancellation Charge Secured Amount as calculated at that statement – consistent with the cap mechanism proposed in WACM1. NESO already holds both the project connection dates and the maximum Cancellation Charge Secured Amount data for each project. No additional data collection is required.

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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*;	Neutral The OTCF structure and administration are unchanged. The Trigger Gate threshold and cap are derivable from existing data at each biannual securities statement.
(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 Reduces structural disadvantage to independent developers with post-2030 projects. Prevents distressed M&A consolidation. Prevents disproportionate OTCF exposure on low-securities connections. Supports a broader and more competitive developer base.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral No additional compliance risk.
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive Both parameters – connection date and maximum Cancellation Charge Secured Amount – are already known at

	each biannual securities statement. The two-stage threshold is a simple binary rule. No new data collection or systems change is required beyond the Original proposal.
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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 the Original proposal / final CMP470 implementation date.

Implementation approach: Same as Original proposal, subject to the two legal text additions described above.

Implementation approach:

NA

Acronyms, key terms and reference material

Acronym / key term	Meaning
BESS	Battery Energy Storage System
CUSC	Connection and Use of System Code
FID	Final Investment Decision
M8 Milestone	The energisation milestone under the connection agreement; the point at which the OTCF for an

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	individual project deactivates and any held OTCF is returned.
MW	Megawatt
NESO	National Energy System Operator
OTCF	Oversubscribed Technologies Commitment Fee
PCF	Progression Commitment Fee
Cancellation Charge Secured Amount	The securities that would crystallise on cancellation at the relevant statement date
WACM	Workgroup Alternative CUSC Modification