

#CUSC Alternative Form – Non Charging

CMP470 WACM2: Queue Management milestone M8 (Project Construction)

Overview: The only difference to the Proposers solutions is that the Oversubscribed Technology Commitment Fee (OTCF) will be disapplied to projects where they have met Queue Management Milestone M8 (Project Construction).

If securities are required to be maintained until energisation, projects that have already shown sufficient progress—such as achieving Final Investment Decision (FID)(M7) and starting construction (M8)—will face extra costs. These costs can exceed the value of the securities and are unnecessary for projects that have clearly demonstrated their viability. The purpose of the OTCF is to remove projects that are not progressing due to technical or economic reasons, rather than penalising those that have proven their commitment. Continuing to require securities after milestone M8 means additional expenses up to energisation are imposed on these projects. Ultimately, this increases costs for consumers, as it leads to higher bids in schemes like the Capacity Market (CM) or Contracts for Difference (CfD), even though the projects have already met the necessary criteria.

Larger projects and certain technologies that take longer to build will be paying securities for longer to reach energisation, discriminating between technologies, even though they have made the same investment decision and started construction.

Public

In addition, applying securities to energisation means that impacts from the TNO/DNO delay in connecting participations/outages that are currently being experienced are passed through projects by paying securities longer, while the assets are already losing money outside their control. This doesn't seem aligned to Ofgem Connections End to End Review.

Applying to Queue Management Milestone M8 will be consistent across all technologies, using existing processes.

Although Queue Management Milestone M7 could be used, its criteria for FID are unclear, as it mainly requires a Director's approval. Since M8 occurs just three months after M7, achieving M8 provides clearer evidence of genuine commitment to the project and shows that construction has started, proving the project is not hindered by technical or economic issues.

<https://www.neso.energy/document/294211/download>

Proposer: Tom Palmer, Zenobe 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?

The proposed alternative solution seeks to only change the Proposer's solutions so that instead of OTCF ending at energisation, it ends at Queue Management Milestone M8.

What is the difference between this and the Original Proposal?

The change in OTCF ending at energisation to Queue Management Milestone M8. This better facilitates the applicable objectives as create a level playing field regardless of size or technology, doesn't pass through additional costs to consumers after investment decisions have been made. In addition, it ensures delays from TNO/DNOs are not passed through to projects with longer security requirements.

What is the impact of this change?

No different impact in achieving the original impacts, without place additional and unnecessary costs on projects and consumers

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
(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

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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 Proposer's solutions

Implementation approach:

Same as Proposer's solutions

Acronyms, key terms and reference material

Acronym / key term	Meaning
CfD	Contracts for Difference
CM	Capacity Market
CUSC	Connection and Use of System Code
DNO	Distribution Network Owner
FID	Final Investment Decision
NESO	National Energy System Operator
OTCF	Oversubscribed Technology Commitment Fee
TNO	Transmission Network Owner