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## CUSC Alternative Form – Non Charging

# CMP434 WACM3: Capacity Reallocation Codification

### Overview:

- This proposed alternative would codify the process for reallocating capacity from terminated offers to other contracted projects that have already passed Gate 2.
- This would be a new Element that would partially supersede Element 16 (CNDM) – capacity reallocation would be removed from CNDM; but the CNDM would still be required for other purposes as set out in the Original Proposal.
- Under this proposed alternative, NESO would also not be permitted to use Project Designation (Element 9) or Connection Point and Capacity Reservation (Element 10) in respect of *terminated capacity*. These prioritisation powers would be limited to the *allocation of new capacity*; therefore, prioritisation powers could not be used to bypass projects in the existing queue that meet Gate 2 and other contractual obligations such as Queue Management Milestones.
- All other Elements in the Original Proposal would remain unchanged.
- As part of CMP434, the NESO proposes developing a separate Connections Network Design Methodology (CNDM) (Element 16). The CNDM would house, amongst other things, a new capacity reallocation mechanism.
- This proposed alternative would codify a simple capacity reallocation mechanism as a new Element. Under this proposed alternative, terminated capacity would be offered to the next project that has passed Gate 2 and can take advantage of that terminated capacity.
- Although this is not as novel as what the NESO could propose as part of the CNDM, we believe that this is still fundamentally different from the current capacity reallocation process, as only projects that have passed Gate 2 would be eligible to benefit from terminated capacity.

**Proposer:** Ed Birkett, Low Carbon

☒ 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 proposed alternative would codify the process for reallocating capacity from terminated offers to other contracted projects that have already passed Gate 2.
- Today, our understanding is that capacity reallocation is not codified. However, in practice NESO offers capacity to the next project in the queue, with queue order based on clock start date.
- As part of CMP434, NESO's has proposed developing a separate Connections Network Design Methodology (CNDM), which would house, amongst other things, a new capacity reallocation mechanism.
- We agree with NESO that, in future, there could be value in having a capacity reallocation mechanism that is based on a number of criteria, including, for example, system need or the Government's future Strategic Spatial Energy Plan (SSEP) – there are many possible criteria and weightings that could be used.
- However, given the incredibly short timeline for this modification, we don't believe that there is time to fully develop a sophisticated capacity reallocation mechanism.
- We believe that the lack of a clear capacity reallocation mechanism would lead to an investment hiatus from developers, as they wait to understand how the CNDM works in practice.
- This would be particularly damaging given that NESO's Land Rights RFI demonstrates that a large amount of capacity is likely to be terminated in the next 6 months if CMP435 is approved.
- Therefore, this proposed alternative would codify a simple capacity reallocation mechanism, with terminated capacity being offered to the next project that has passed Gate 2 and can take advantage of that terminated capacity:
- For example, a 1,000 MW project clearly cannot take full advantage of capacity terminated by a 100 MW project – although it may be possible for the first 100 MW of the 1,000 MW project to be built earlier than the remainder (i.e. converting to a Staged connections).
- Although this is not as novel as what NESO could propose as part of the CNDM, we believe that this is still fundamentally different from the current capacity reallocation process, as only projects that have passed Gate 2 are eligible to benefit from terminated capacity.
- Under this proposed alternative, a CNDM would still be required for other purposes as set out in the Original Proposal. However, we believe that the connections process could function without Authority approval of a CNDM (as the capacity reallocation mechanism would be defined in the CUSC).

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- Under this proposed alternative, NESO would also not be permitted to use Project Designation (Element 9) or Connection Point and Capacity Reservation (Element 10) in respect of *terminated capacity*. These prioritisation powers would be limited to the *allocation of new capacity*; therefore, prioritisation powers could not be used to by-pass projects in the existing queue that meet Gate 2 and other contractual obligations such as Queue Management Milestones.

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

- Under the Original Proposal, capacity reallocation would be conducted in line with the Connections Network Design Methodology (CNDM) (Element 16).
- Under this proposed alternative:
  - o A simple capacity reallocation methodology would be codified.
  - o Terminated capacity would be offered to the next project that has passed Gate 2 and can take advantage of that terminated capacity.
  - o This would be a new Element that would partially supersede Element 16, as set out above.
  - o NESO would not be permitted to use Project Designation (Element 9) or Connection Point and Capacity Reservation (Element 10) in respect of terminated capacity.
  - o All other Elements would remain unchanged.

## What is the impact of this change?

Proposer's Assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the License of the obligations imposed on it by the Act and the Transmission Licence;	<b>Positive:</b> Will safeguard investor confidence, which is crucial to the functioning of the GB energy market and will promote competition.
(b) 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> Will safeguard investor confidence, which is crucial to the functioning of the GB energy market and will promote competition.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *	<b>None:</b> No impact identified.



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(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.

**Positive:** We believe it is more efficient that key commercial elements of the connections process (such as capacity reallocation) are codified in the CUSC.

\*The Electricity Regulation referred to in objective (c) 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:

Aligned with the Original Proposal.

### Implementation approach:

Aligned with the Original Proposal.

The Original Proposal requires the CNDM to be approved for the connections process to function. Under this proposed alternative, we believe that the connections process could function without the approval of the CNDM (as the capacity reallocation mechanism would be defined in the CUSC).

## Acronyms, key terms and reference material

Acronym / key term	Meaning
CNDM	Connections Network Design Methodology – as defined in the Original Proposal.
CUSC	Connections Use of System Code
NESO	National Energy System Operator
RFI	Request for Information
SSEP	Strategic Spatial Energy Plan

### Reference material:

1. ESO (August 2024), *Connections: Summary of land rights request for information analysis*.