

Public

Special CUSC Panel

Friday 08 November 2024

Online Meeting via Teams

Public

WELCOME

Purpose of Panel & Duties of Panel Members

The **Panel** shall be the standing body to carry out the **functions** referred to in CUSC – Section 8 CUSC Modification (8.3.3)

The **Panel** shall endeavour at all time to operate:

- In an **efficient, economical and expeditious manner**, taking account of the complexity, importance and urgency of particular CUSC Modification Proposals; and
- With a view to ensuring that the CUSC facilitates **achievement of the Applicable CUSC Objectives**.

Duties of Panel Members & Alternates (8.3.4)

1. Shall act **impartially** and in accordance with the requirements of the **CUSC**; and
2. Shall not have any **conflicts of interest**.

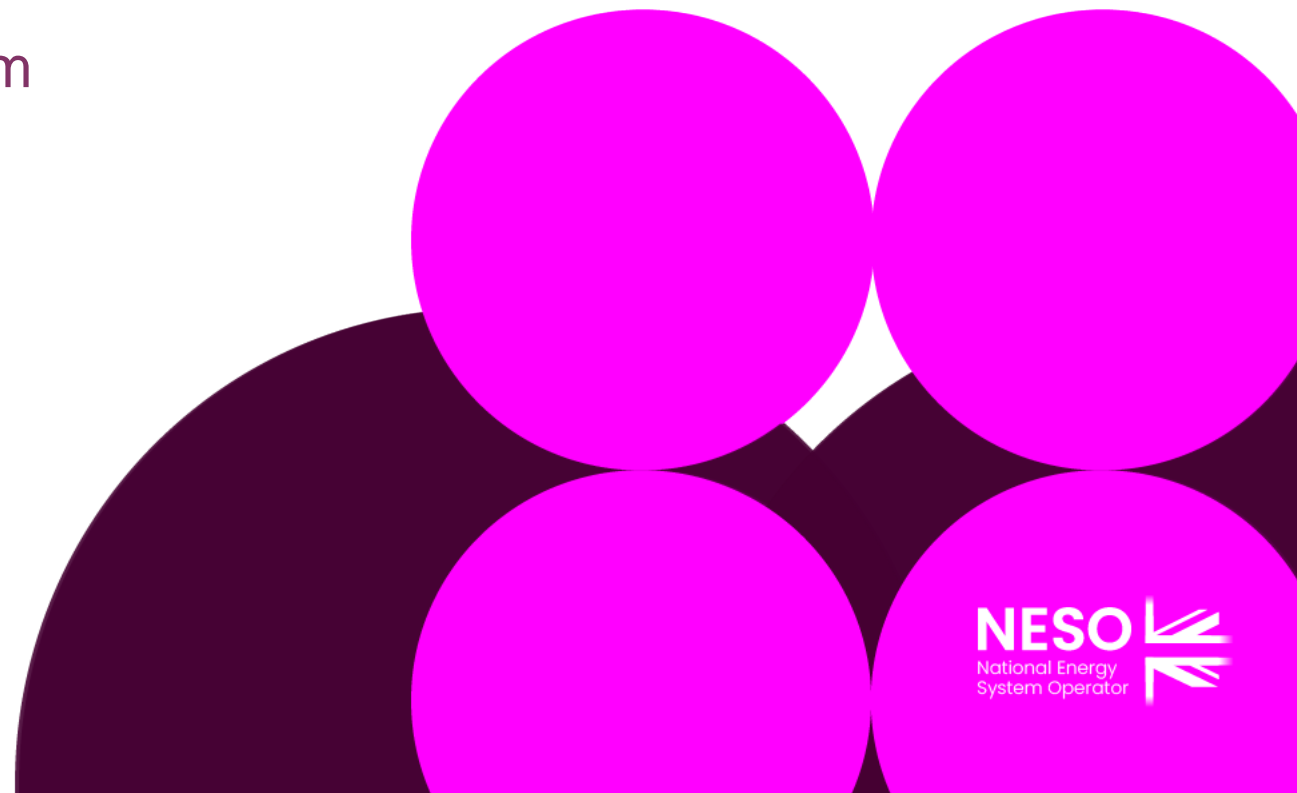
Shall not be representative of, and shall act without undue regard to the particular interests of the persons or body of persons by whom he/she was appointed as Panel Member and any Related Person from time to time.



Workgroup Report

CMP434: Implementing Connections Reform

Claire Goult



Key points to note to the Panel

- There was high levels of industry engagement with this modification (41 Workgroup members and 86 Workgroup consultation responses) and many Workgroup members were also involved in CMP435 Workgroups.
- Workgroup expressed concerns with the timelines proposed to complete, and consult upon, the modification/modification package considering the complexities of developing multiple modifications and Methodologies concurrently (and Methodologies not being available, in large part, during the CMP434 process).
- 32 Alternative Requests were raised, and 7 were voted to become WACMs.

Solutions

Proposer's solution: This proposal introduces new processes and definitions for certain new and modified connection applications that will update the existing processes and enable those projects that are most ready to progress to connect more rapidly. This is done by moving away from a 'first come, first served' approach to capacity allocation and reallocation and provides a framework to introduce one which is based around 'first ready, first served' in accordance with a new proposed suite of three Methodologies (and with the advent of more strategic network planning would also be future-proofed to move to 'first come, first needed, first served' approach through such Methodologies if and when required (and future proof for the needs of the Clean Power Plan 2030)). It is proposed to introduce the concept of an application window and two formal gates, which are known as Gate 1 and Gate 2. This means that in-scope project developers will no longer be able to submit new and modified connection applications at any time and will only be able to do so in application windows. Once a project meets the Gate 2 criteria the project developer can apply (via the relevant party) to be provided with a confirmed connection point and connection date.

Implementation date: Q2 2025

Solutions

Summary of alternative solutions

- **WACM1: Clarification of Embedded Definition** - This option is in line with the Original Proposal, except for changing the definition of Embedded schemes that are covered by the Primary Process to be defined by capacity rather than referencing Relevant Small, Medium and Large Power stations.
- **WACM2: DNO Submission Requirement** - This option is in line with the Original Proposal, except for changing the obligation of DNOs and iDNOs in respect of the inclusion of all applicable Embedded Projects that provide a valid Gate 2 compliance application and evidence submission within the Gated Application Window, as part of the DNO/iDNOs fully completed Gate 2 Application to NESO. In the Original the obligation is to use Reasonable Endeavours to do so, whereas in this option the obligation is absolute.
- **WACM3: Capacity Reallocation Codification** - This option is in line with the Original Proposal, except for codifying a Capacity Reallocation mechanism to allow terminated capacity to be offered to the next contracted project that has passed Gate 2 and is able to utilise the released capacity. This would remove NESO's ability to utilise Project Designation or Connection Point and Capacity Reservation in respect of reallocating terminated capacity.
- **WACM4: Codifying restrictions on changes to project site location** – “Red Line Boundary” (RLB) – post-Gate 2 - This option is in line with the Original Proposal, except for codifying the proposed restrictions on changes to project Red Line Boundary post-Gate 2, rather than housing the restrictions in the proposed Gate 2 Criteria Methodology.
- **WACM5: Remove Project Designation** - This option is in line with the Original Proposal except for the removal of Element 9: Project Designation
- **WACM6: Obligation to Codify the Methodologies and Guidance Documents under Connection Reform** - This option is in line with the Original Proposal, however, adds an obligation on NESO to undertake and report on a review of the new connections process, to allow stakeholders to assess whether a code modification is required to codify the Methodologies and Guidance documents.
WACM6 should not be implemented without CM095 ASM1.
- **WACM7: Introduction of a pause for market self-regulation before NESO/the Transmission Operators (TOs) undertake the network assessment** - This option is in line with the Original Proposal but introduces a pause for market self-regulation prior to NESO/TO network assessment occurring, to allow for greater visibility of competitor projects.

Workgroup Vote

Summary of Workgroup Vote:

The Workgroup concluded by majority that the Original, WACM1, WACM2, WACM3, WACM4, WACM5, WACM6 and WACM7 better facilitated the Applicable Objectives than the Baseline.

Option	Number of voters (out of the 32 voters) that voted this option as better than the Baseline
Original	26
WACM1	21
WACM2	22
WACM3	27
WACM4	23
WACM5	19
WACM6	23
WACM7	24

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference, and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
a) Consider the implementation and transitional arrangements	<ul style="list-style-type: none"> • Implementation Approach p3, p78 • Workgroup consultation summary p25 • Legal text discussions relating to the Original solution p51-54 • Alternative requests p57-63 • WACM discussions p64-68 • Discussion on Annex B of the Open Letter on Connections Reform p54-56
b) Review and support the legal text drafting;	<ul style="list-style-type: none"> • Legal text discussions relating to the Original solution p51-54 • WACM discussions p64-68 • Annex 10 – Legal Text • Discussion on Annex B of the Open Letter on Connections Reform p54-56
c) Consider the cross Code impacts this modification has, in particular the STC and distribution arrangements (e.g. DCUSA)	<ul style="list-style-type: none"> • Workgroup considerations - Discussions on: Elements 10 (p39), 16 (p48-50), 17 (p71-73) • Interactions p5, p79 • Alternative requests p57-63 • WACM discussions p64-68 • Discussion on Annex B of the Open Letter on Connections Reform p54-56
d) Consider any potential licence changes which may be required, liaising with the Authority as required to discuss them.	<ul style="list-style-type: none"> • Workgroup considerations - Discussions on Elements: 1 (p26-27), 9 (p37-38), 11 (p39-46), 15 (p48), 16 (p48-50) • Legal text discussions relating to the Original solution p51-54 • Interactions p5, p79 • Discussion on Methodologies p54

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference, and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
e) Consider the scope of application for the proposed solution by technology/project type including changes to existing connected Users and any acceptable criteria for any exclusions or alternative approaches which may be needed.	<ul style="list-style-type: none"> • Workgroup considerations -Discussions on Elements: 2 (p10-12), 3 (p12-13), 4 (p13), 5 (p14-16), 11 (p39-46), 12 (p46) • Legal text discussions relating to the Original solution p51-53
f) Consider the interactions between the proposed solution(s) and distribution connection processes.	<ul style="list-style-type: none"> • Workgroup considerations -Discussions on Elements: 6 (p36-37), 11 (p39-46), 12 (p46), 13 (p47-48), 17 (p71-73) • Legal text discussions relating to the Original solution p51-53 • Interactions p5, 79 • Alternative requests p57-63 • WACM discussions p64-68 • Discussion on Annex B of the Open Letter on Connections Reform p54-56
g) Consider the accessibility and transparency of new processes for Users as much as possible, particularly new entrants.	<ul style="list-style-type: none"> • Implementation Approach p3, p70, p78 • Legal text discussions relating to the Original solution p51-53 • WACM discussions p64-68 • Discussion on Methodologies p54 • Discussion on Annex B of the Open Letter on Connections Reform p56
h) Briefly consider any future policy development which may be beneficial to enhance the proposed 'minimum viable product' solutions.	<ul style="list-style-type: none"> • Consideration of options considered by the WG were de-scoped and removed from the solution p68-73 • Legal text discussions relating to the Original solution p51-53

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference, and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
i) Consider Electricity Balancing Regulation implications.	<ul style="list-style-type: none"> • Legal text discussions relating to the Original solution p51-53 • Annex 10 – Legal Text
j) Consider mechanisms to ensure projects progress from Gate 1 to Gate 2 including financial instruments	<ul style="list-style-type: none"> • Consideration of options considered by the WG were de-scoped and removed from the solution p68-73 • Legal text discussions relating to the Original solution p51-53
k) Consider the impact of NESO designation of Gate 2 status, and ways to make this non-discriminatory.	<ul style="list-style-type: none"> • Workgroup considerations -Element 9 p37-38 • Legal text discussions relating to the Original solution p51-53 • Alternative requests p57-63 • WACM discussions p64-68 • Discussion on Methodologies p54
l) Consider how the solution(s) conforms with the statutory rights with respect to terms and conditions for connection.	<ul style="list-style-type: none"> • Workgroup considerations - Element 11 p39-45 • Discussion on Methodologies p54 • Legal text discussions relating to the Original solution p51-53 • Alternative requests p57-63 • WACM discussions p64-68
m) Consider the relevant content of Annex B of the Open letter on connections reform publication.	<ul style="list-style-type: none"> • Discussion on Annex B of the Open Letter on Connections Reform p54-56

CMP434 – the asks of Panel

- **AGREE** that the Workgroup have met their Terms of Reference
- **AGREE** that this Modification can proceed to Code Administrator Consultation
- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **NOTE** the ongoing timeline

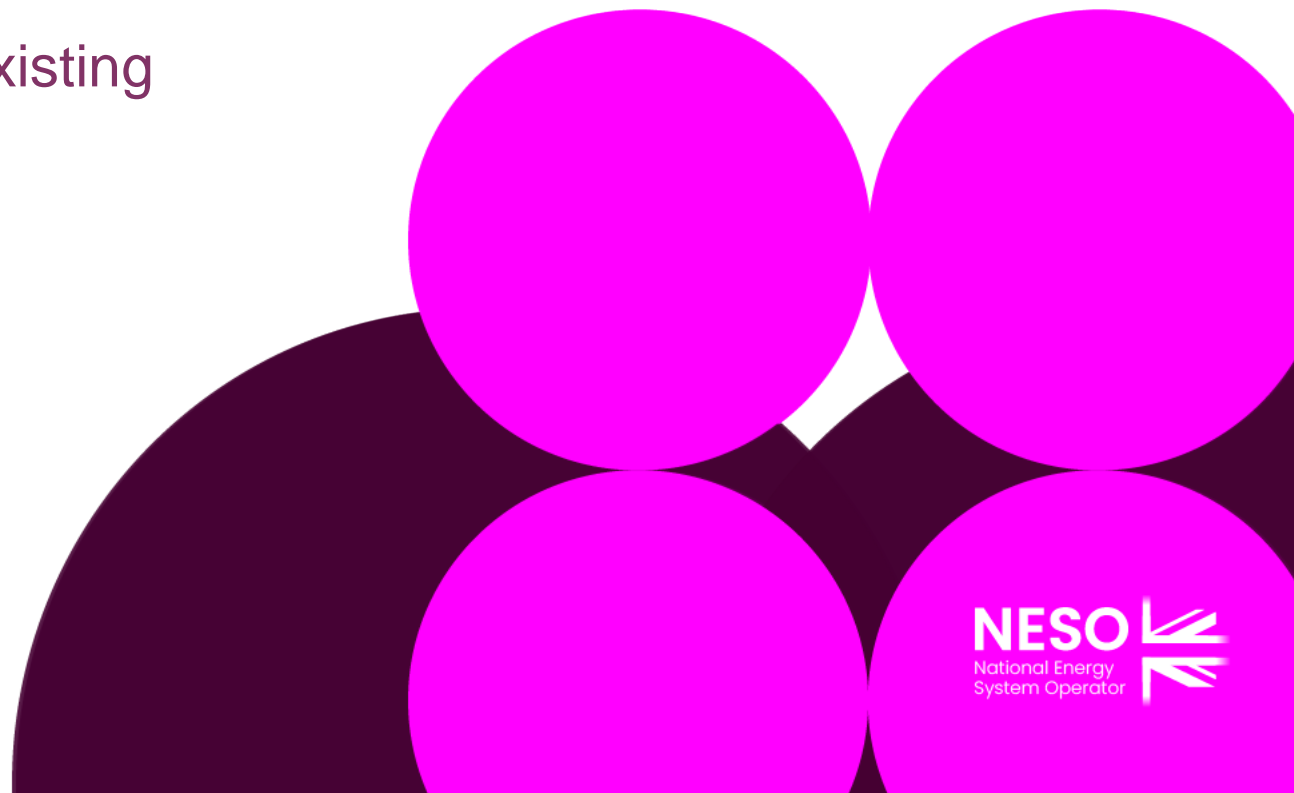
CMP434 Next Steps

Milestone	Date
Code Administrator Consultation (11 business days)	11 November 2024 to 5pm on 26 November 2024
Draft Final Modification Report issued to Panel	13 December 2024
Draft Final Modification Report presented to Panel	20 December 2024
Final Modification Report issued to Panel to check votes recorded correctly	20 December 2024
Submission of Final Modification Report to Ofgem	20 December 2024
Ofgem decision date	Q1 2025
Implementation Date	Q2 2025

Workgroup Report

CMP435: Application of Gate 2 Criteria to existing contracted background

Elana Byrne



Key points to note to the Panel

- There were high levels of industry engagement with this modification (38 Workgroup members, 69 no-confidential Workgroup consultation responses) and many Workgroup members were also involved in CMP434 Workgroups.
- Workgroup expressed concerns with the timelines proposed to complete, and consult upon, the modification/modification package considering the complexities of developing multiple modifications and Methodologies concurrently (and Methodologies not being available, in large part, during the CMP435 process).
- The corresponding STC modification to CMP435, CM096, was withdrawn to better pursue a solution for the STC via STCPs.
- Thirteen Alternative Requests were raised, and one was voted to become WACM1.

Solutions

Proposer's solution: This proposal looks to extend the Gate 2 concept and some features of Gate 1 (outlined in CMP434) to existing in scope (as set out in Element 3 in the Workgroup Report) connection contracts (as set out in the CUSC). This means that for all in scope existing connection contracts, project developers will need to provide evidence of their project(s) meeting the (new proposed) Gate 2 criteria by the deadline (which, at the time of publication of this report, is expected to be in Q2 2025, but after the implementation date and as further described in Element 19 of the Workgroup Report). If a project meets the Gate 2 criteria, then the project will enter a process for it to be provided (as set out in Element 19) with a Gate 2 Offer and the developer will also be able to apply, if they wish, for an advanced connection date for their project. The intention is that a specific queue position for a developer will be based upon the proposed new Gate 2 Criteria Methodology and proposed new Connections Network Design Methodology.

If an existing project does not meet the proposed Gate 2 criteria by the deadline (which, at the time of publication of this report, is expected to be in Q2 2025, but after the implementation date and as further described in Element 19), then their existing transmission queue position will be nullified and their existing contract with NESO will be transitioned to a Gate 1 style contract which will include an indicative connection point and an indicative connection date – and as a result they will not retain their current connection point, connection date (as set out in their existing contractual arrangements with NESO), or transmission queue position. If and when such projects meet the Gate 2 criteria at a later date then they can apply through a Gate 2 process, as proposed within CMP434. Where this scenario relates to either a DNO or a transmission connected Independent Distribution Network Operator (iDNO) contract with NESO (in respect of Relevant Small and Medium Embedded Generation), then that contract will also be updated in-line with the above, except there will not be an indicative connection point and indicative connection date for such embedded projects. The process for contractual changes is covered in more detail in Element 19 within the Workgroup Report.

Solutions

Summary of alternative solutions and implementation dates: WACM1 - Proposed solution:

- The results of the Gate 2 compliance check should be published – including any revised Transmission Entry Capacity (TEC) or technology change requests.
- A 2–4-week pause should be implemented for Gate 2 qualified applicants to assess the viability of their projects in light of updated competitor information, to understand the Clean Power Plan for 2030 (CPP30) regional technology quota proposals that will emerge, and any ESO project designation activity that has been undertaken at that point.
- Parties could then choose to either submit an application for capacity advancement, keep their project as is or withdraw.
- The TO/ESO network investment would then proceed as under the Original proposal, but in our view with a much more credible portfolio of generation projects which will reduce the risk of stranded assets and consumer costs.
- Implementation would be in-line with the Original proposal's implementation approach.

Workgroup Vote

Summary of Workgroup Vote:

The Workgroup concluded by majority that the Original and WACM1 better facilitated the Applicable Objectives than the Baseline.

Option	Number of voters (out of 26 voters) that voted this option as better than the Baseline
Original	22
WACM1	21

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference, and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
a) Consider EBR implications	<ul style="list-style-type: none"> • Legal Text Discussions • Annex 7 Legal Text
b) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter.	<ul style="list-style-type: none"> • Element 3 (p.29-31) • Identified scope of work and exemptions (p.30-31) • Consideration of topics which are not directly part of/are no longer part of Proposal: • Timeline Updates (p.83-84)
c) Consider changes to the contractual arrangements for those existing contracted parties that have not met the Gate 2 criteria by the Go-Live Date of 1 January 2025.	<ul style="list-style-type: none"> • Element 19 (p.49-65): • Contractual changes and timings of process (p.54) • Clarity that if Gate 2 is not met or Gate 2 offer is not accepted, project will be given Gate 1 and opportunity to terminate (p.58) • Process to change an existing agreement to Gate 1 status (p.62) • Legal Text Discussions (p.54, 58, 63-64)
d) Review the transitional arrangements in relation to changes to the contractual arrangements and any associated costs.	<ul style="list-style-type: none"> • Element 19 (p.49-65): • Identification of four main groups of existing projects (p.49-50) • Contractual changes for transitional/cut over projects (p.53) • Element 20 (p.65-66) • Consideration of topics which are not directly part of/are no longer part of Proposal: • Transitional Arrangements (p.79-81)

Terms of Reference

The Workgroup conclude that they have met their Terms of Reference, and the references can be located below:

Workgroup Term of Reference	Location in Workgroup Report
e) Consider the application of the User Commitment methodology to projects in Gate 1 and Gate 2 and the	<ul style="list-style-type: none"> • Element 19 (p.49-65): • Securities and liabilities: Compensation/reconciliation arrangements (p.51) • Securities and liabilities: relating to advancement (p.52) • Process to change an existing agreement to Gate 1 status (p.62)
f) Consider how any new financial instruments associated with connections are cost reflective and predictable.	<ul style="list-style-type: none"> • Consideration of topics which are not directly part of/are no longer part of Proposal: • Gate 1 and Gate 2 Financial Instrument (p.82-83)
g) Consider how the solution(s) conforms with the statutory rights in respect of terms and conditions for connection.	<ul style="list-style-type: none"> • Element 19 (p.49-65) • Legal compliance of the approach (p.64-65) • Legal Text Discussions
h) Consider the impact of NESO designation of Gate 2 status, and ways to make this non-discriminatory.	<ul style="list-style-type: none"> • Element 9 (p.35-36)
i) Consider the relevant content of Annex B of the Ofgem Open letter on connections reform publication.	<p>Consideration of what was relevant under Ofgem Open Letter Annex B included:</p> <ul style="list-style-type: none"> • Quantitative assessment in relation to the RFI data and analysis (p.86) • Process risks considered throughout Workgroup discussions (p.34, 37, 41, 46, 50, 61) • Methodology concerns discussed (p.28-29) • Impact Assessment and RFI (p.86) • Engagement via consultations previous and planned via the code modification process, including Workgroup Consultation summary (p.26-27, Annex 6) • TMO4+ updates provided within the code change process • Licence changes and legislative changes discussion (p.65, 73) • Alternative Requests and WACM development (p.67-72)

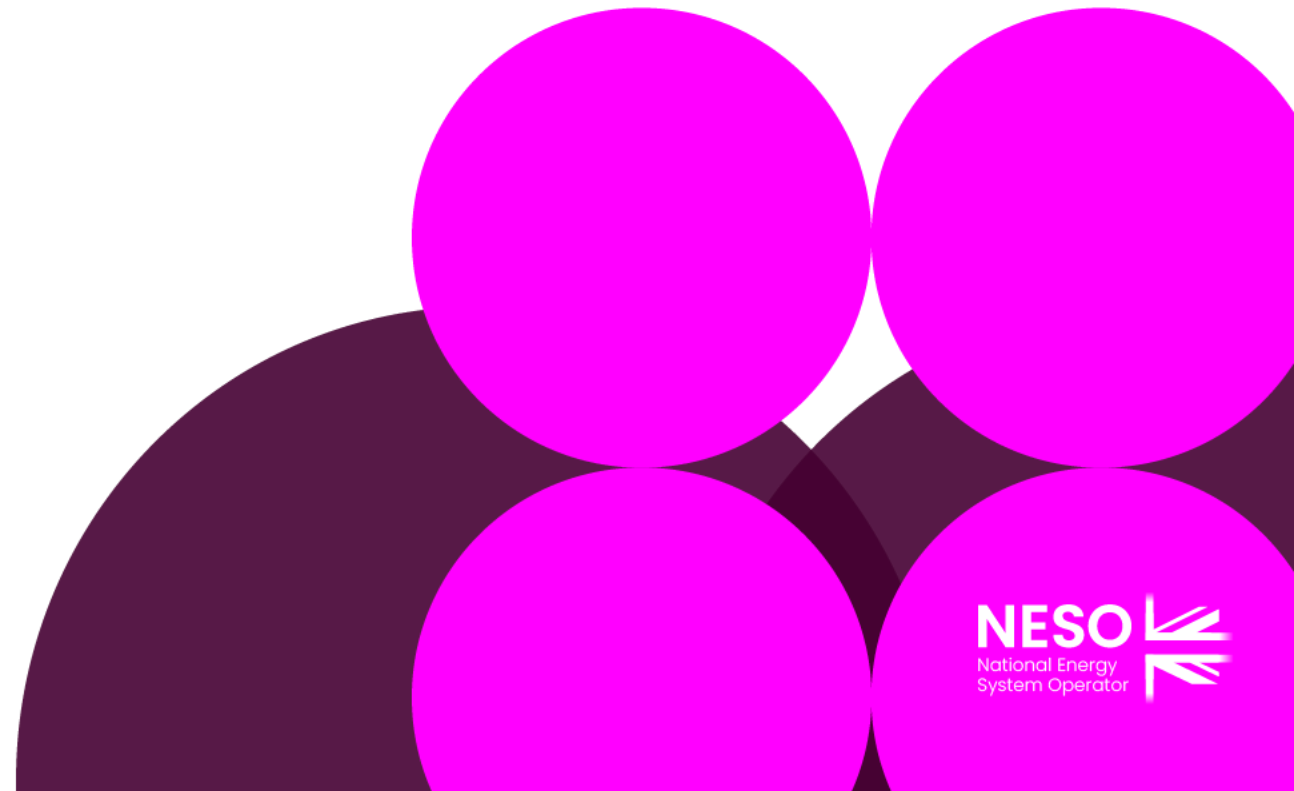
CMP435 – the asks of Panel

- **AGREE** that the Workgroup have met their Terms of Reference
- **AGREE** that this Modification can proceed to Code Administrator Consultation
- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **NOTE** the ongoing timeline

CMP435 Next Steps

Milestone	Date
Code Administrator Consultation (11 business days)	11 November 2024 to 5pm on 26 November 2024
Draft Final Modification Report issued to Panel	13 December 2024
Draft Final Modification Report presented to Panel	20 December 2024
Final Modification Report issued to Panel to check votes recorded correctly	20 December 2024
Submission of Final Modification Report to Ofgem	20 December 2024
Ofgem decision date	Q1 2025
Implementation Date	Q2 2025

Any Other Business



Activities ahead of the next Panel Meeting

Modification Proposal Deadline for November Panel	14 November 2024
Papers Day	21 November 2024
Panel Meeting	29 November 2024 Teams

Close

Trisha McAuley

Independent Chair, CUSC Panel