

Public

CUSC Panel

Friday 14 February 2025

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.

New Urgent Modification

CMP448: Introducing a Progression Commitment Fee to
the Gate 2 Connections Queue

Ash Adams, NESO

CMP448 Critical Friend Feedback

Code Administrator comments	Amendments made by the Proposer
Minor formatting changes Clarification in interactions	Proposer accepted all amendments made by the Code Administrator

Case for Change

What is the context?

- To support the progress towards Clean Power 2030 and other decarbonisation plans, it is important to be able to facilitate the timely and efficient connection of viable projects to the grid.
- Currently there are in-flight modifications (CMP434 and CMP435) which aim to improve the connections process. If the modifications are approved, the concept of Gate 2 connections queue will be introduced.
- A project with a place in the Gate 2 connections queue is provided connection capacity, but at present it is unclear how many projects in the future Gate 2 queue will ultimately connect.
- The Queue Management process will ensure that projects will be terminated if they do not progress quickly enough and fail to meet milestones.

What is the defect?

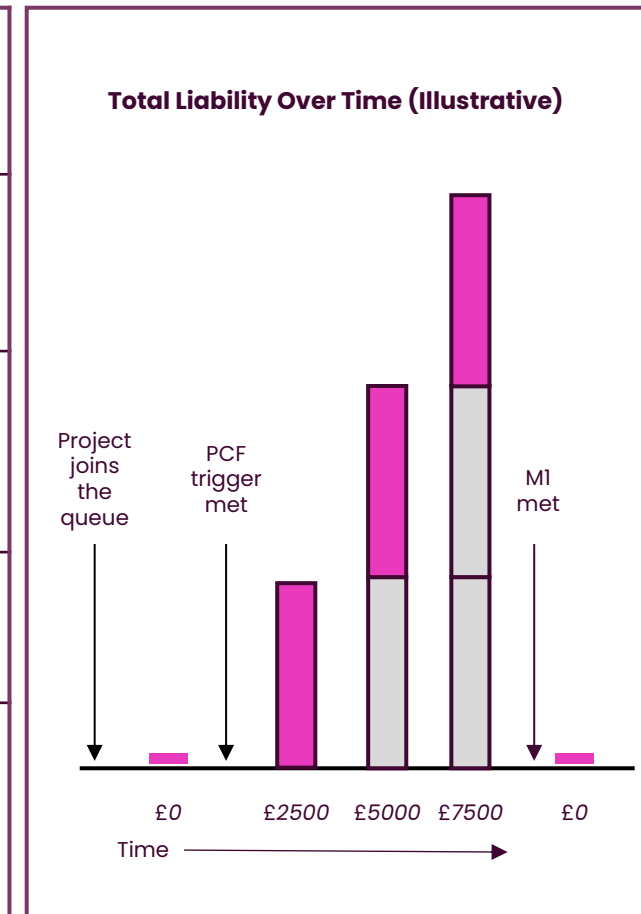
- A project in the Gate 2 connections queue may become less viable over time and the existing Queue Management framework does not provide a sufficient financial incentive for developers to regularly review the viability of their projects.
- Developers may not be sufficiently incentivised to either exit the connections queue or sell their project to another developer in a timely manner if they do not intend to progress the project themselves.
- Such behaviour could cause connection delays and other detrimental impacts to developers of more viable projects with later connection dates and hinder progress towards CP30 and other decarbonisation plans.

Why is this change needed?

- The period between Gate 2 queue entry and Milestone 1 is the longest in the User Progression milestones and carries the highest risk of projects failing to progress and persisting in the queue longer than necessary.
- Without further change, the current defect may not be addressed appropriately even after the wider suite of proposed connections reforms are implemented.
- In our view, an additional arrangement (which can be activated if required) that complements the existing arrangements and in-flight modifications (CMP434 and CMP435) is needed to ensure we are able to act at pace to address the defect should it materialise.

Mod Proposal Details: Progression Commitment Fee

Intent	<p>The Progression Commitment Fee (PCF) is intended to provide an incentive for:</p> <ul style="list-style-type: none"> • Developers of projects that have become unviable to proactively exit the queue in a timely manner. • Developers who are no longer committed to progressing viable projects to sell them to a committed developer, in a timely manner.
Activation	<ul style="list-style-type: none"> • Once implemented, the PCF will initially be dormant. It will remain dormant unless a “trigger metric” which is indicative of the health of the connections queue exceeds a defined threshold. • At this point, the PCF may be activated, subject to decisions to proceed by NESO and Ofgem (see the following slides for further detail on the trigger metric and threshold for activation).
Value	<ul style="list-style-type: none"> • Once activated, the PCF applicable to a project will have an initial value of £2,500/MW. A project’s PCF will then increase at a rate of £2,500/MW at 6 monthly intervals up to a maximum of £10,000/MW for any individual project. • Projects will be liable for the full value of their PCF upon termination of the project (or the appropriate portion of the PCF upon reduction of capacity) prior to successfully demonstrating achievement of Milestone 1.
Scope	<ul style="list-style-type: none"> • If the PCF is activated, it will be applicable to all generation projects that hold Transmission Entry Capacity, Developer Capacity or Interconnector Capacity (including small, medium and large distribution connecting generation) and have accepted a Gate 2 contract offer and not passed Queue Management Milestone 1.
Collection	<ul style="list-style-type: none"> • If the PCF is activated, developers of projects between Gate 2 and Milestone 1 will be required to post a security against the PCF, the “Progression Commitment Fee Security” (“PCFS”). The intention is for the PCFS to be securitised as per Section 15 and must remain in place until developers successfully demonstrate that the project has achieved Milestone 1. • After achieving Milestone 1, developers will no longer be subject to the PCF if they terminate and there will no longer be a requirement to secure against the PCF.



Mod Proposal Details: Trigger Metric

Upon implementation of the modification, the PCF will initially be dormant. It will remain dormant unless a metric which is indicative of the health of the connections queue exceeds a defined threshold.

- **The metric** will measure the cumulative project MWs that are “terminated” from the Gate 2 connections queue as a result of failing to meet Milestone 1. Any project MWs that are subsequently replaced by another project (or projects) with a connection date within 12 months of the connection date of the original project will be excluded from the metric. This metric will be referred to as the “trigger metric”.
- **Trigger measurement:** The trigger metric will be measured from the date of implementation to 31 December 2030 inclusive, the “initial metric period” and then for each five-year period thereafter. NESO will measure the trigger metric at six monthly intervals, the “measurement point” and publish this data.
- **Following termination,** what qualifies as replacement capacity for the purposes of the trigger metric will be assessed by NESO based on a number of factors including, but not limited to the location and technology type of the replacement connection in relation to the original. If no replacement capacity can be identified within six months, the terminated capacity will be regarded as not having been replaced by another project (or projects) for the purposes of the trigger metric.

Mod Proposal Details: Progression Commitment Fee Activation

- **The “trigger threshold”** will be set at a cumulative total of 6000MW for the initial metric period, which is the approximate equivalent of 5% of the additional capacity (capacity that is not already installed) that is required to be connected before the end of 2030 in order to meet CP30 targets. If the PCF is not activated by the end of the initial metric period, the intention of NESO is to review the trigger threshold ahead of each subsequent 5-year period. Any changes would go through the usual code modification process.
- **If, at any measurement point, the published trigger metric, is greater than 6000MW**, the trigger threshold will have been deemed to be met. The trigger threshold is based on a cumulative total.
- **If the trigger threshold is deemed to have been met** at any measurement point, NESO will have the option to activate or not activate the PCF and will notify Ofgem of its decision within 1 month of the trigger threshold being met. We propose that (subject to Ofgem agreement) Ofgem should then have power to override NESO’s decision within 2 months of being notified. For the avoidance of doubt, there will be no ability of any party to activate the PCF unless the trigger threshold is first met.

Cross mod/code Interactions

Cross-mod interactions

- If approved, this mod would need to be implemented before Gate 2 offers are issued, as proposed under CMP434 and CMP435.
- If CMP434 and CMP435 are not approved, then this mod would be withdrawn and reassessed.

Cross-code interactions

- None.

Justification for Urgency

Ofgem Urgency Criteria

An issue that if not urgently addressed will have “a significant commercial impact on parties, consumers, or other stakeholders(s)”

Justification:

✓ **Provide certainty to developers accepting Gate 2 offers**

Gate 2 offers are a critical part of the Connections Reform programme, and our aim is to provide as much certainty as possible to industry on the liabilities they could face. Not doing so would impose a significant commercial impact to developers if a liability were to be added after their offers have already been signed.

✓ **Support the Connections Action Plan (CAP) initiatives proposed by Ofgem and DESNZ**

The “Raise entry requirements” section of the CAP states their “initial view is that increasing financial requirements, particularly, merits strong and rapid consideration to ensure financial incentives... are appropriately set”.

✓ **Ensure that the solution can be activated quickly if needed**

The dormant PCF will be available to take effect if the queue is found to be unhealthy. This mitigation will take effect more quickly than would be possible if such a solution were not in place and a new solution needed to be created, proposed, approved and implemented.

Please see the Proposal Form for full details against Urgency Criteria (a)

Suggested WG Terms of Reference (TOR)

Workgroup Terms of Reference

- | | |
|---|---|
| A | Consider the metric that will best reflect queue health. |
| B | Consider the trigger threshold that will best reflect queue health. |
| C | Consider the expected impact on connection timelines. |
| D | Consider if the period that the Progression Commitment Fee applies to, Gate 2 entry to Milestone 1, is appropriate. |

CMP448 Proposed Urgent Timeline

Milestone	Date	Milestone	Date
Modification presented to Panel	14 February 2025	Code Administrator Consultation (5 Business Days)	03 June – 10 June 2025
Workgroup Nominations (3 Business Days)	14 February – 19 February 2025	Draft Final Modification Report (DFMR) issued to Panel (3 Business Days)	16 June 2025
Ofgem grant Urgency	18 February 2025 (5pm)	Panel undertake Recommendation Vote	20 June 2025
Workgroup 1 – 6 (assuming Ofgem have granted Urgency)	24 February 26 February 05 March 12 March 17 March 20 March	Final Modification Report issued to Panel to check votes recorded correctly	20 June 2025
Workgroup Consultation (5 Business Days)	24 March – 31 March 2025	Final Modification Report issued to Ofgem	20 June 2025
Workgroup 7 – 13 - Assess Workgroup Consultation Responses and Workgroup Vote	09 April 16 April 23 April 30 April 07 May 14 May 19 May	Ofgem decision	Q3 2025
Workgroup report issued to Panel (3 Business Days)	27 May 2025	Implementation Date	01 2026
Panel sign off that Workgroup Report has met its Terms of Reference	02 June 2025		

CMP448 Asks of Panel

- **AGREE** that this Modification has a clearly defined defect and scope
- **AGREE** that this Modification should proceed to Workgroup
- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **VOTE** whether or not to recommend Urgency
- **AGREE** timetable for Urgency
- **AGREE** Workgroup Terms of Reference
- **NOTE** next steps:
 - Under CUSC Section 8.24.4, we will now consult the Authority as to whether this Modification is an Urgent CUSC Modification Proposal
 - Letter to be sent to Ofgem 14 February 2025
 - Ofgem approval of Urgent treatment sought by 5pm on 18 February 2025
 - 1st Workgroup meeting to be held 24 February 2025

Discussions on Prioritisation

AGREE any movements in the current prioritisation stack and
CARRY OUT deep-dive assessment of all

Any other business

Activities ahead of the next Panel Meeting

Modification Proposal Deadline for February Panel	13 February 2025
Papers Day	20 February 2025
Panel Meeting	28 February 2025 Teams

Close

Trisha McAuley

Independent Chair, CUSC Panel