Public

CMP417: Extending principles of CUSC Section 15 to all Users

Workgroup 6, 21 May 2025

Online Meeting via Teams

NESO
National Energy System Operator

WELCOME

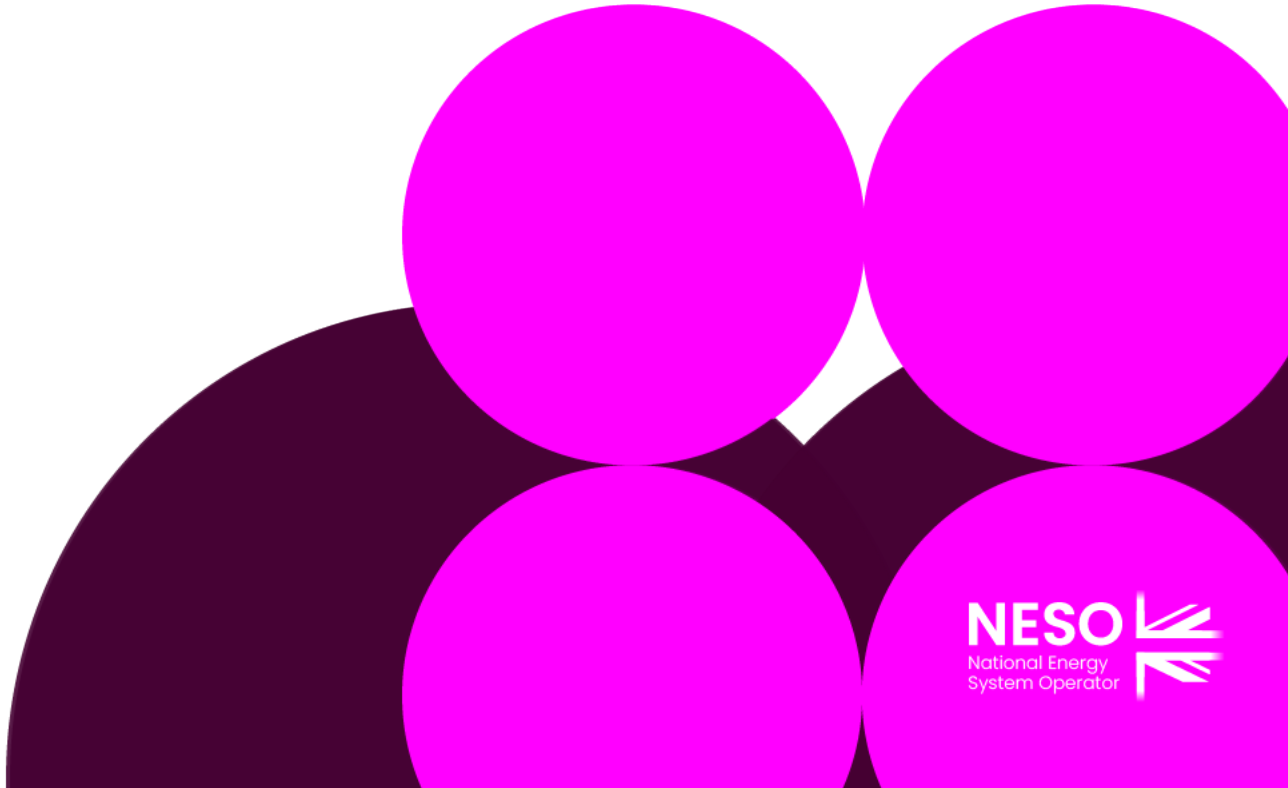
NESO
National Energy System Operator

Agenda

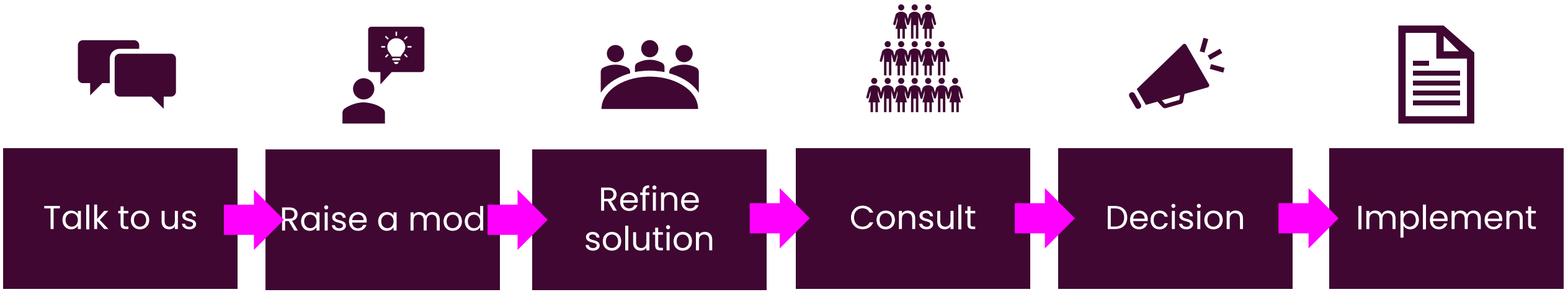
Topics to be discussed	Lead
Introductions	Chair
Objectives and Timeline • Walk-through of the timeline for the modification	Chair
Review Terms of Reference	All
Proposer presentation	Proposer
Questions from Workgroup Members	All
Cross Code Impacts	All
AOB & Next Steps	Chair

Introductions

Lizzie Timmins – NESO Code Administrator



Code Modification Process Overview



Forums	Panels	Workgroups (Workgroup Consultations)	Ofgem/Panel

Expectations of a Workgroup Member

- Contribute to the discussion
- Be respectful of each other's opinions
- Language and Conduct to be consistent with the values of equality and diversity
- Do not share commercially sensitive information
- Be prepared - Review Papers and Reports ahead of meetings
- Complete actions in a timely manner
- Keep to agreed scope
- Email communications to/cc'ing the .box email

Your Roles

- Help refine/develop the solution(s)
- Bring forward alternatives as early as possible
- Vote on whether or not to proceed with requests for Alternatives
- Vote on whether the solution(s) better facilitate the Code Objectives

Workgroup Membership

Role	Name	Alternate	Company
Proposer	Sean Nugent	Martin Cahill	NESO
Workgroup Member	Andrew Akani	Michael Kaveny	NGED
~~Workgroup Member~~	~~Anthony Cotton~~	~~Lloyd Carnegie~~	~~Energy Technical and Renewable Services Ltd (nominated by Green Generation Energy Networks Cymru Ltd)~~
Workgroup Member	Charles Deacon	David Swadling	Eclipse Power Networks
Workgroup Member	Damian Clough	Edda Dirks	SSE
Workgroup Member	Dhaval Parmar	Darshak Shah	BP
Workgroup Member	Gareth Williams	No Alternate	SPT
Workgroup Member	Harriet Eckweiler	Jonny Clark	SHET
Workgroup Member	Matthew Paige-Stimson	Ben Sayah	NGET
Workgroup Member	Rohit Alexander	No Alternate	Statkraft
Workgroup Member	Sam Aitchinson	Robin Prince	Island GP
Workgroup Member	Simon Lord	Andrew Rimmer	Engie
Workgroup Member	Steve Halsey	Zivanayi Mushanhi	UK Power Networks
Authority Representative	Chris Patrick	No Alternate	Ofgem

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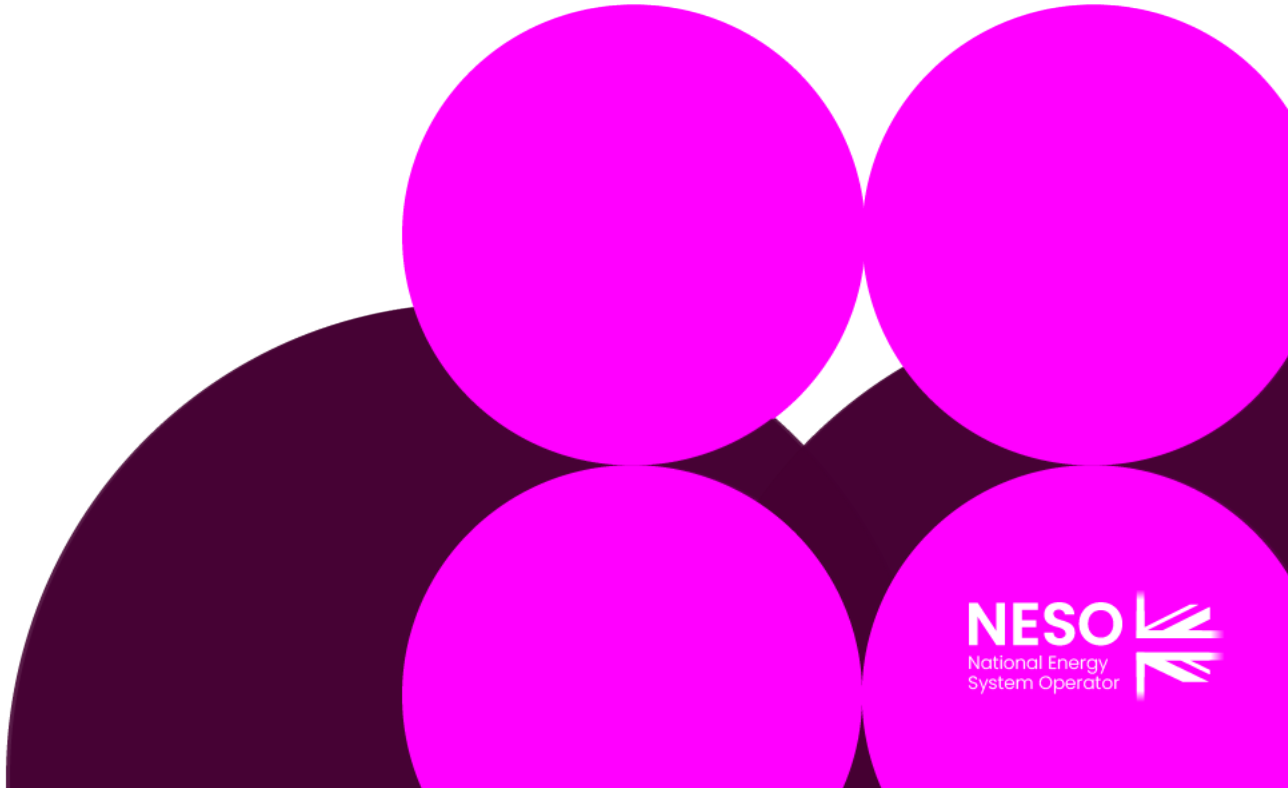
Review Timeline

Lizzie Timmins – NESO Code Administrator

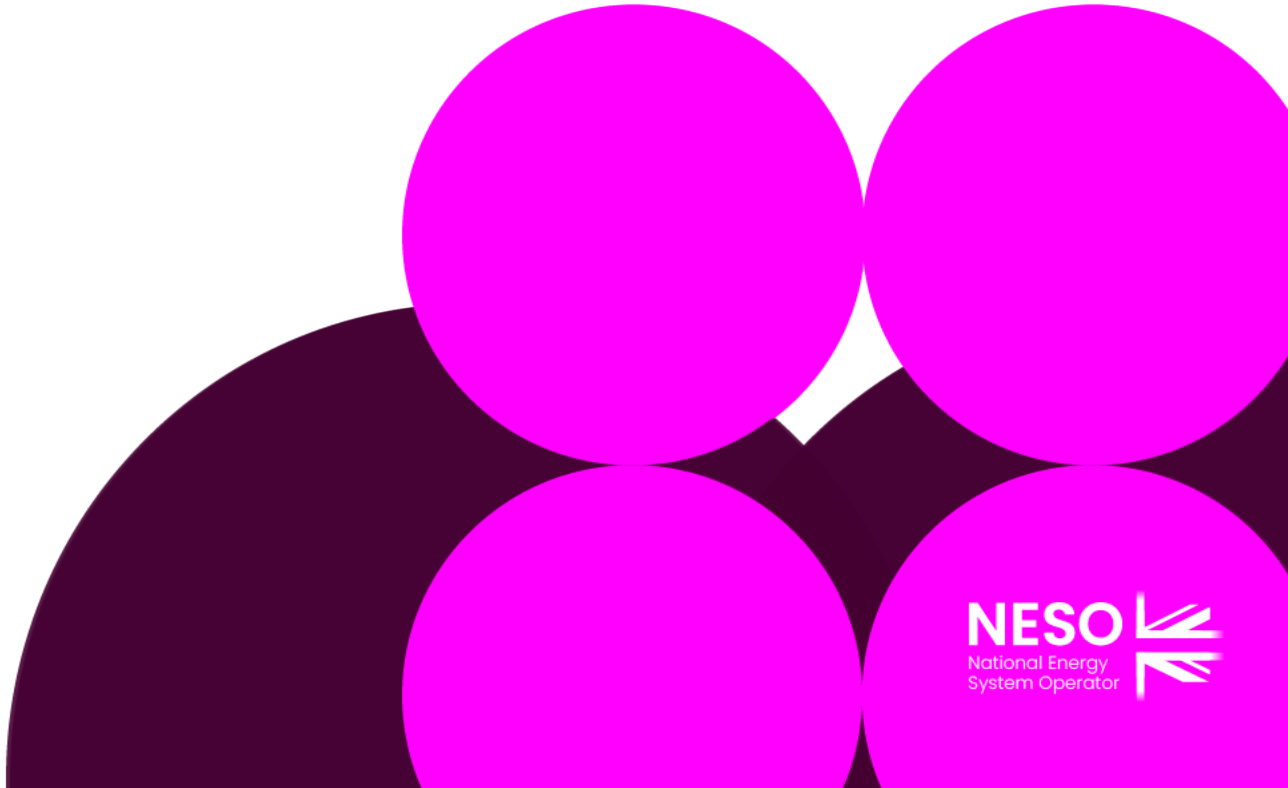


CMP417 Timeline

Milestone	Date
Workgroup 6	21 May 2025
Workgroup 7	18 June 2025
Workgroup 8	31 July 2025
Workgroup Consultation (20 Business Days)	05 August 2025 – 03 September 2025
Workgroup 9	18 September 2025
Workgroup 10	09 October 2025
Workgroup 11	04 November 2025
Workgroup Report to Panel	20 November 2025
Panel for ToR sign off	28 November 2025
Code Administrator Consultation (20 Business Days)	02 December 2025 – 02 January 2026
Draft Final Modification Report (DFMR) issued to Panel	22 January 2026
Panel undertake DFMR recommendation vote	30 January 2026
Final Modification Report issued to Panel to check votes recorded correctly	03 February 2026 to 10 February 2026
Final Modification Report issued to Ofgem	11 February 2026
Ofgem decision	TBC
Implementation Date	10 Business Days following Authority Decision

Review Terms of Reference

Lizzie Timmins – NESO Code Administrator

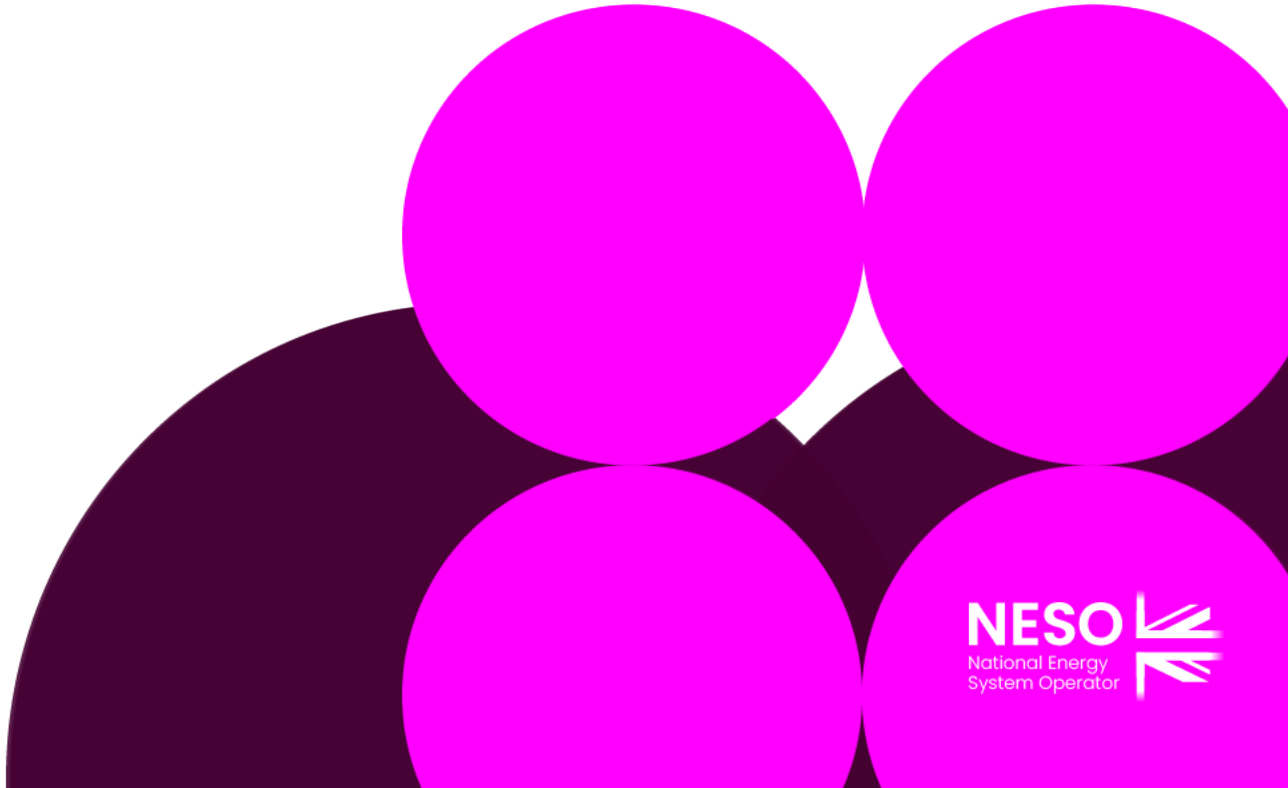


Terms of Reference

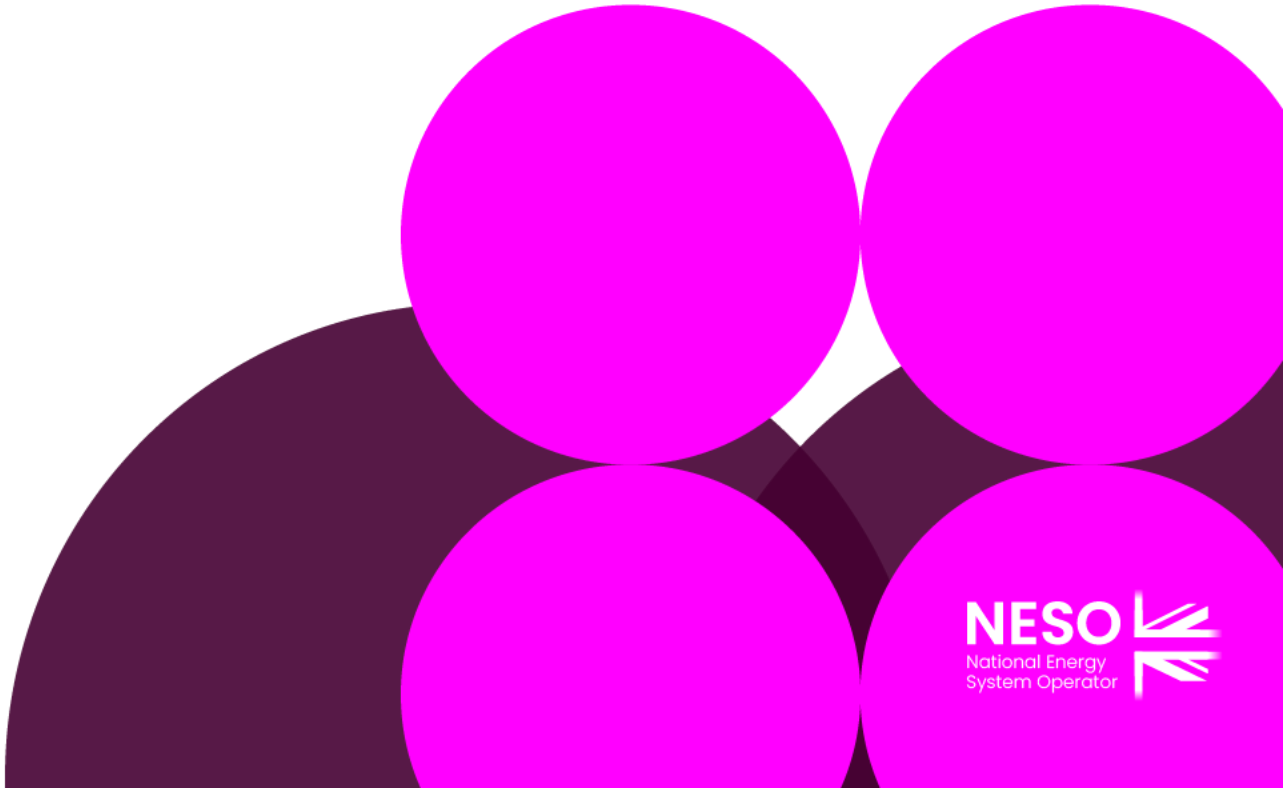
Workgroup Terms of Reference
a) Consider EBR implications
b) Consider the transitional arrangements
c) Consider interactions with other codes or code modifications
d) Consider interactions with NESO connections reform recommendations
e) Consider financial consequences to Users
f) Consider cash flow implications on the NESO

Proposer's Solution

Sean Nugent – NESO



CMP417
Extending principles of CUSC Section 15 to all users



Key Issue Recap

Key Issues

Users of the National Electricity Transmission System (NETS) must secure financial commitments for works which they trigger. Customers under User Commitment Arrangements need to secure their Transmission Owner's (TO) expenses related to their connection. This security is replaced by Use of System charges once connected. If a User terminates or reduces capacity before connection, they owe charges to NESO

Two methodologies determine a User's financial liability and security:

- **CUSC Section 15 'User Commitment Methodology' for generators and interconnectors**
- **Final Sums methodology for Transmission-Connected Demand and relevant Distribution-Connected Demand**

The User Commitment Methodology was introduced via **CMP192** and expanded under CMP222 and CMP223 to lower entry barriers and improve governance. However, Final Sums Methodology was seen as impacting competition due to differing security requirements once agreements were signed.

Modifications CMP192, CMP222, and CMP223 excluded Users on Final Sums Methodology (Transmission-Connected Demand and relevant Distribution-Connected Demand). However, new demand connections are now driving Transmission Works beyond the Connection Site. The growth in data centres and potential large energy-intensive demand in Scotland and other industrial processes is increasing demand.

Under CUSC Section 15, Users must place security with NESO, which decreases over time as the project nears commissioning. In contrast, Final Sums methodology requires securing all project expenses as it progresses.

Proposers Solution

To extend some principles of CUSC Section 15 “User Commitment Methodology” (UCM) to Users on the Final Sums methodology.

Applying Section 15 to other User groups has been a stepped process .We are now proposing to extend some of the UCM principles to these Users and move Final Sums methodology to sit under section 15 User Commitment Methodology Part B of the CUSC.

Users currently under Final Sums methodology are:

- Relevant distribution-connected Demand
- Transmission-connected Demand
- DNOs where work is triggered not by an Embedded Generator e.g. asset replacement works

NESO’s proposed solution includes:

- Prescription within CUSC for Final Sums, further defining Final Sums for these Users in CUSC section 15B along with an accompanying guidance note
- Application of the SIF, LARF, and Distance Factor to be expanded to these Users and provided by the relevant TO
- An Attributable Works definition to include Final Sums Methodology Users, and a definition of Demand Capacity
- **The Previous Proposer did not include the Wider Cancellation Charge in the previous solution for CMP417. We are now considering introducing this and would like input from the workgroup. We will provide further detail in future slides.**
- Methodology for calculation of liability/termination/cancellation
- Introduction of a Secured Amount based on “trigger date” and “consented” status
- Ability for a customer to fix their liabilities

Implementation will be in two stages:

- Applications received 10 working days from the Authority decision will be under CUSC section 15 User Commitment Methodology
- Existing Users under Final Sums methodology will require a transitional period post the decision from the Authority

Arrangements within CUSC for Final Sums	• Final Sums gives NESO the ability to split out works into 2 'parts': as defined in the current Construction Agreement, see CUSC Schedule 2, Exhibit 3, Part 2 • We propose Final Sums is further defined (in Schedule 2 or given a section in CUSC itself) and a guidance note to support application, which highlights what should already be done as part of FS now but also the additional principles listed below • A guidance document to be updated
Application of the SIF and LARF liabilities	• Demand project's have its own relevant definition of 'Attributable' • 'Attributable' Schemes are reduced by two factors; Strategic Investment Factor (SIF) – customer's share of scheme based on Capability of Scheme and Customer Capacity, Local Asset Reuse Factor (LARF) – what proportion of an asset can be re used or utilised if a customer terminates (information provided by TO) • Methodology for liability/termination/cancellation calculation: TO Spend to date (since 6 month forecast)x(1-LARF)xSIF • Concept of a Demand Capacity for the purposes of this methodology
Introduction of Secured Amount	• Security is a proportion of the total liability • The proportion of security is based on the concepts of 'trigger date' and 'not consented' and 'consented'
Ability for a customer to Fix their liabilities	• A customer can fix the current TO forecast for their attributable schemes and remains with that value regardless of TO updates to scheme figures. • Attributable Liability Calculation (Fixed): Pre-Trigger = TEC x (£1k, £2k or £3k) / Post-Trigger = 100% Fixed Value x (25%, 50%, 75% or 100%) *this is the total attributable liability not necessarily the secured amount.

TO specifies works to be secured based on CUSC FS definition for Appendix H Part 1 and Part 2 – This requires an STC Mod and will be progressed and defined in an STC Workgroup

TO provides LARF and SIF for each scheme of work the customer is liable for – This requires an STC Mod and will be progressed and defined in an STC Workgroup

NESO specifies works in Appendix H within Part 1 and Part 2 in accordance with CUSC FS definition

NESO calculates customer termination amount for necessary schemes of work based on LARF and SIF provided by TO

NESO calculates Secured Amount based on customers project progression, we suggest in line with table in the middle.

Customer receives statement with their security and liability requirements based on methodologies discussed in previous slide

Security Requirement		Transmission Connected	Distribution Connected
Pre-Trigger	Non Consented	100%	100%
	Consented	100%	100%
Post-Trigger	Non Consented	42%	45%
	Consented	10%	26%

CUSC changes required for this modification:

CUSC changes required for this modification:

- CUSC Section 1 "Applicability of Sections and Related Agreements Structure"
- CUSC Section 5 "Events of Default, Deenergisation and Disconnection"
- CUSC Section 11 "Interpretation and Definitions"
- CUSC Section 15 "User Commitment Methodology"
- CUSC Schedule 2, Exhibit 3, Part 2 - this is the Final Sums Construction Agreement
- CUSC exhibits MM1, MM2 and MM3

- We intend to describe next to each section a very high level of what needs to be added into the legal text. This is something we hope to present to Workgroup in the next coming sessions.

Worked Example

Total Cancellation Charge = Attributable Cancellation Charge + Wider Cancelation Charge*
We are minded to now include a wider cancellation charge for demand in CMP417, on the basis that it improves alignment with Generation, and there could be wider network impact from demand connections

Attributable works:
(1) in the case of CUSC Sec 15 Part A, those components of the Construction Works which are required:
(a) to connect a Power Station or Interconnector which is to be connected at a Connection Site to the nearest suitable MITS Node; or (b) in respect of an Embedded Power Station from the relevant Grid Supply Point to the nearest suitable MITS Node
(and in any case above where the Construction Works include a Transmission substation that once constructed will become the MITS Node, the Attributable Works will include such Transmission substation); and
(2) in the case of CUSC Section 15 Part B, those components of the Construction Works which are required to connect a [Distribution System directly connected to the National Electricity Transmission System or Non-Embedded Customer] which is to be connected at a Connection Site to the nearest suitable MITS Node,

and which in relation to a particular User are in each case as specified in its Construction Agreement;

Worked Example

Attributable Cancellation Charge
TO provides a list of projects with scheme MW Capability

Scheme A: 2000MW, LARF 20%
Scheme B: 1500MW, LARF 40%
Scheme C: 5000MW, LARF 0 %

As these schemes have associate attributable works, they would not be included in the calculation of the wider cancelation charge

Demand site has a 'demand capacity' of 1000MW, SIF would be calculated (approximately) as dividing this by the scheme capability

Liability = Spend to date x (1-LARF) x SIF
If Scheme A has spent £2,000,000 to date then liability for generator for Scheme A =
£2,000,000 x (0.8) x (0.5) = £800,000

If Scheme B has spent £1,000,000 to date and Scheme C £3,000,000 then total liability for generator =
£800,000 + £396,000 + £600,000 = £1,796,000

Customer has the opportunity to fix based on forecast costs.

1. Need a concept of 'Demand Capacity' or equivalent of TEC for demand site
2. Additional data required from TOs – need list of schemes which are attributable for demand customers and LARF for these
3. Agree SIF principle – could MW exceed scheme capability if including generation and demand?
4. Approach to updating contracts

Worked Example

Wider Cancellation Charge
Wider Cancellation Charge = Demand Capacity x Wider Tariff x Wider Profile
Wider works only required post-trigger

If Wider tariff is £1500, and Wider Profile is 50%, then:
Wider Cancellation charge = 1000MW x £1500 x 0.5 = £750,000

Wider profile is 0% up until trigger then 25% year 1, 50% year 2 etc

1. Decide if this if this should be included – base on Engineering considerations
2. As with the attributable works calculation, a definition is needed for demand capacity
3. Need a zone to assign demand to, minded to position is to use the same zones as those used for generation securities

Cross Code Impacts

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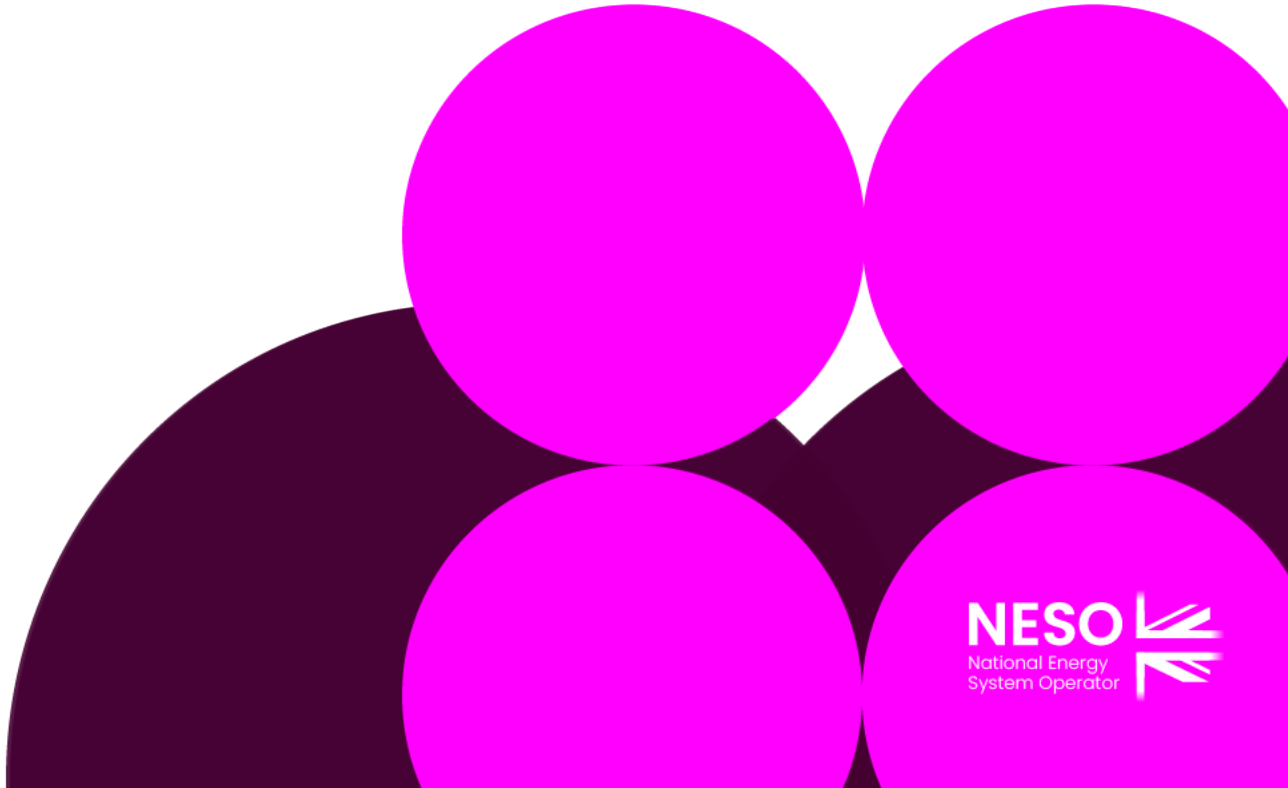

AOB & Next Steps

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