

CMP447: Removal of designated strategic works from cancellation charges/securitisation

Workgroup 1, 20 June 2025

Online Meeting via Teams

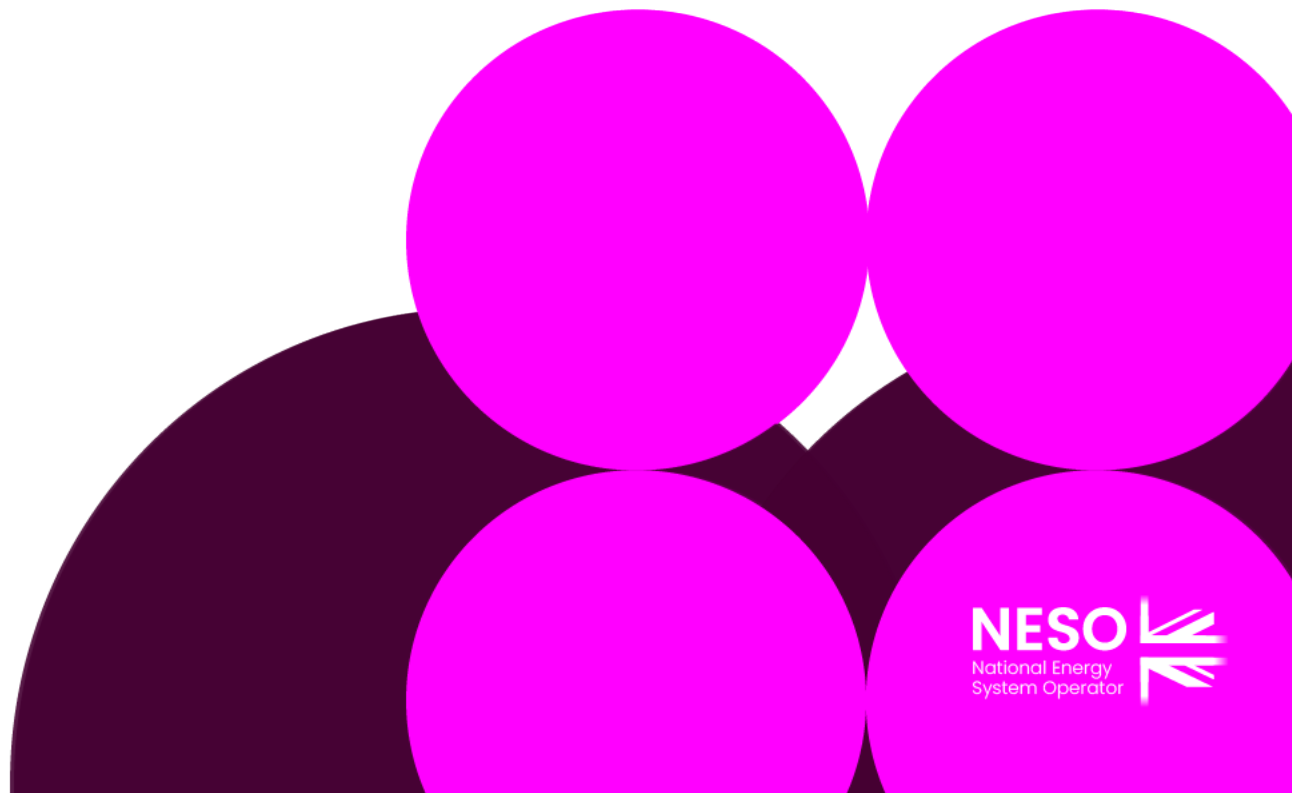
WELCOME

Agenda

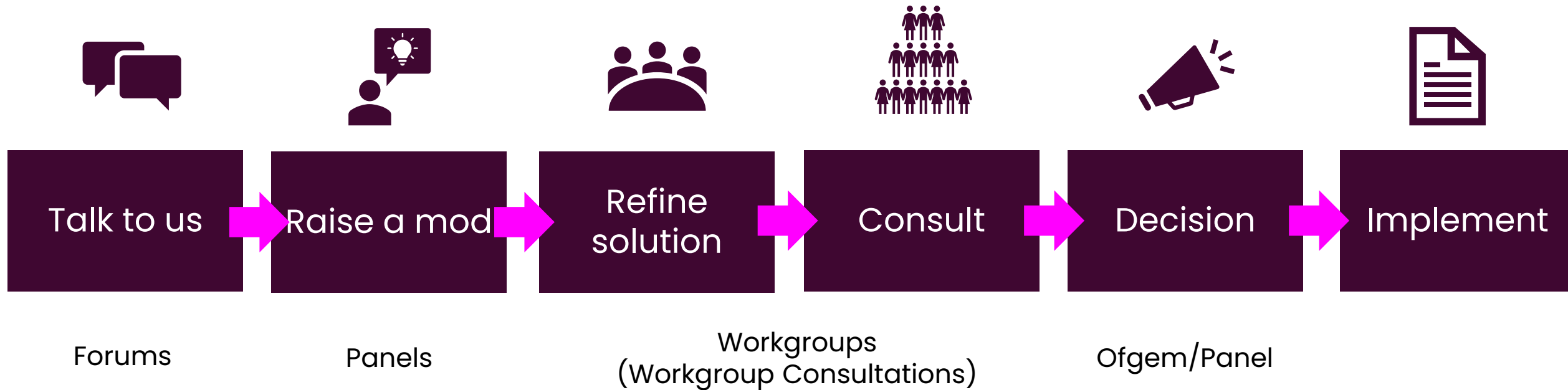
Topics to be discussed	Lead
Introductions	Chair
Code Modification Process Overview <ul style="list-style-type: none">• Workgroup Responsibilities• Workgroup Alternatives and Workgroup Vote	Chair
Objectives and Timeline <ul style="list-style-type: none">• Walk-through of the timeline for the modification	Chair
Review Terms of Reference	All
Proposer presentation	Proposer
Questions from Workgroup Members	All
Agree Terms of Reference	All
Any Other Business	Chair
Next Steps	Chair

Modification Process

Sarah Williams – NESO Code
Administrator



Code Modification Process Overview



Refine Solution Workgroups



- If the proposed solution requires further input from industry in order to develop the solution, a Workgroup will be set up.
- The Workgroup will:
 - further refine the solution, in their discussions and by holding a **Workgroup Consultation**
 - Consider other solutions, and may raise **Alternative Modifications** to be considered alongside the Original Modification
 - Have a **Workgroup Vote** so views of the Workgroup members can be expressed in the Workgroup Report which is presented to Panel

Consult Code Administrator Consultation

- The Code Administrator runs a consultation on the **final solution(s)**, to gather final views from industry before a decision is made on the modification.
- After this, the modification report is voted on by Panel who also give their views on the solution.



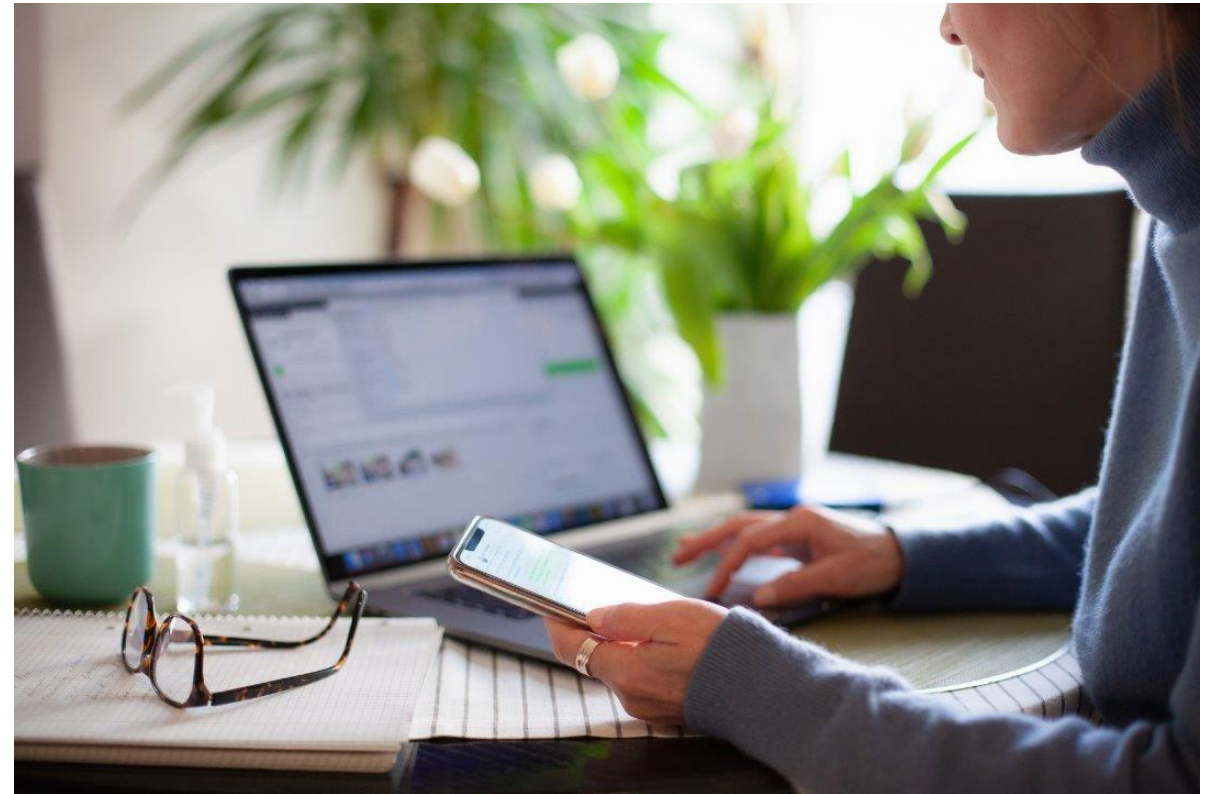
Decision



- Dependent on the Governance Route that was decided by Panel when the modification was raised
- **Standard Governance:** Ofgem makes the decision on whether or not the modification is implemented
- **Self-Governance:** Panel makes the decision on whether or not the modification is implemented
 - an appeals window is opened for 15 days following the Final Self Governance Modification Report being published

Implement

- The Code Administrator implements the final change which was decided by the Panel / Ofgem on the agreed date.



Workgroup Responsibilities and Membership

Sarah Williams – NESO Code
Administrator



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	Company
Proposer	Harvey Takhar	NESO
SME	Matt Baller	NESO
Workgroup Member	Alan Kelly	Corio Generation
Workgroup Member	Als Scrope	Northland Power
Workgroup Member	Barney Cowin	Blue Float
Workgroup Member	Calum Duff	Bowdun Offshore Wind Farm
Workgroup Member	Calum MacDonald	Point and Sandwick Trust
Workgroup Member	Ciaran Fitzgerald	Scottish Power Renewables
Workgroup Member	Charles Yates	Muir Mhor Offshore Wind Farm Ltd
Workgroup Member	Damian Clough	SSE
Workgroup Member	Dennis Gowland	Research Relay Ltd
Workgroup Member	Glenn Smith	EDF Energy Renewables
Workgroup Member	Joe Colebrook	Innova
Workgroup Member	Kirsty Dawson	Statkraft

Workgroup Membership

Role	Name	Company
Workgroup Member	Kyle Murchie	Roadnight Taylor
Workgroup Member	Lenka Peskova	ESB Generation and Trading
Workgroup Member	Matthew Dowds	Muirhall Energy
Workgroup Member	Neil Bennett	SSEN Transmission
Workgroup Member	Patrick Smart	RES UK & IRELAND LIMITED
Workgroup Member	Paul Youngman	Drax
Workgroup Member	Richard Blanchfield	Talisk-Magnora Offshore Wind Ltd
Workgroup Member	Sam Aitchison	Island Green Power
Workgroup Member	Tim Ellingham	RWE
Workgroup Observer	Gareth Williams	SPEN
Workgroup Observer	Holly Thomas	Scottish Renewables
Workgroup Observer	Iwan Watkin	Jacobs
Authority Representative	Christopher Patrick	Ofgem

Workgroup Alternatives and Workgroup Vote

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Administrator



What is the Alternative Request?

What is an Alternative Request? The formal starting point for a Workgroup Alternative Modification to be developed which can be raised up until the Workgroup Vote.

What do I need to include in my Alternative Request form? The requirements are the same for a Modification Proposal you need to articulate in writing:

- a description (in reasonable but not excessive detail) of the issue or defect which the proposal seeks to address compared to the current proposed solution(s);
- the reasons why you believe that the proposed alternative request would better facilitate the Applicable Objectives compared with the current proposed solution(s) together with background information;
- where possible, an indication of those parts of the Code which would need amending in order to give effect to (and/or would otherwise be affected by) the proposed alternative request and an indication of the impacts of those amendments or effects; and
- where possible, an indication of the impact of the proposed alternative request on relevant computer systems and processes.

How do Alternative Requests become formal Workgroup Alternative Modifications? The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the current proposed solution(s), the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Workgroup Alternative Modifications? NESO will assist Proposers and Workgroups with the production of draft legal text once a clear solution has been developed to support discussion and understanding of the Workgroup Alternative Modifications.

Can I vote? And What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative CUSC Modifications.
- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.
- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM)** and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

Can I vote? And What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

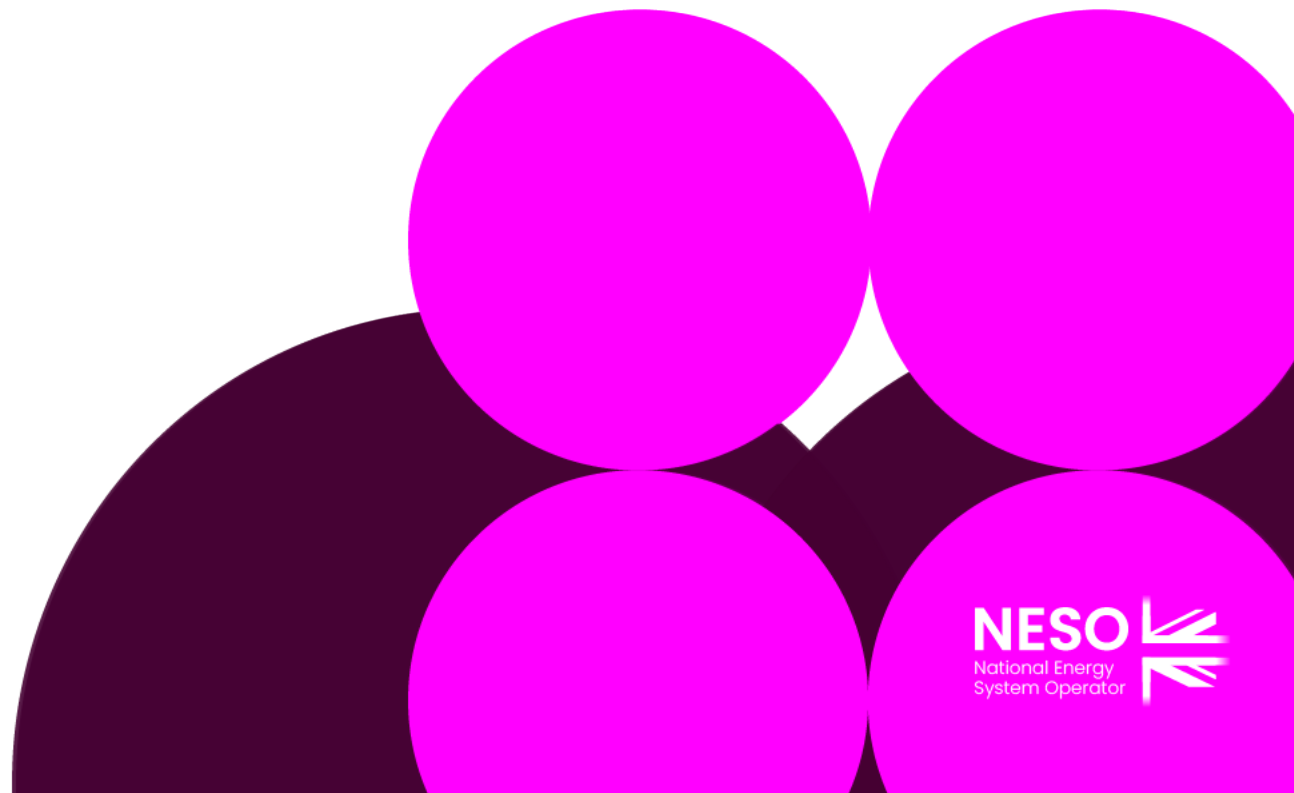
Stage 2 – Workgroup Vote

- 2a) Assess the original and Workgroup Alternative (if there are any) against the relevant Applicable Objectives compared to the baseline (the current code)
- 2b) Vote on which of the options is best.

Alternate Requests cannot be raised after the Stage 2 – Workgroup Vote

Objectives and Timeline

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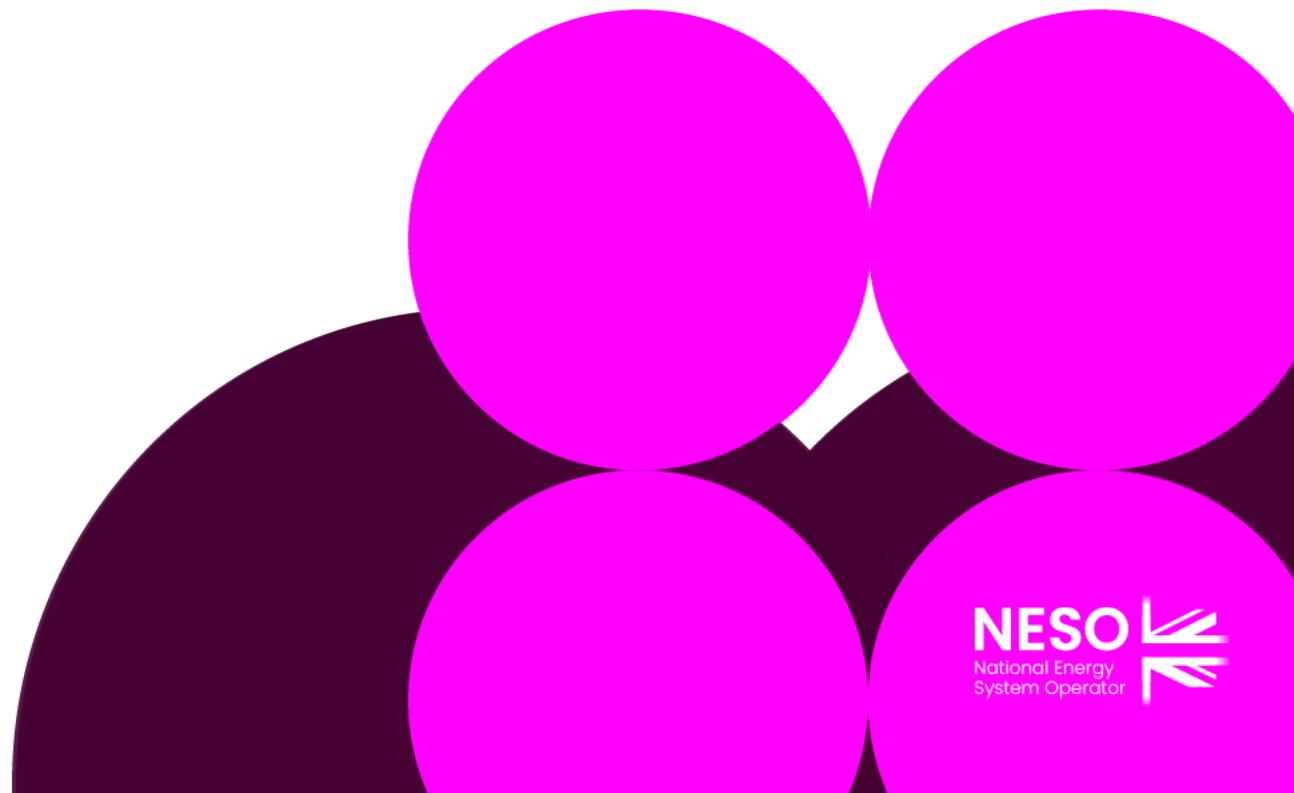


CMP447 Urgent Timeline as of 13 June 2025

Milestone	Date	Milestone	Date
Modification presented to Panel (Urgency request)	09 June 2025	Code Administrator Consultation (10 Business Days)	19 September – 03 October 2025
Further Workgroup Nominations (5 Business Days)	09 June – 16 June 2025	Draft Final Modification Report (DFMR) issued to Panel (3 Business Days)	09 October 2025
Ofgem grant Urgency	13 June 2025 (5pm)	Panel undertake Recommendation Vote	15 October 2025
Workgroup 1 – 5	20 June 2025 26 June 2025 03 July 2025 10 July 2025 17 July 2025	Final Modification Report issued to Panel to check votes recorded correctly	15 October 2025
Workgroup Consultation (10 Business Days)	21 July – 04 August 2025	Final Modification Report issued to Ofgem	15 October 2025
Workgroup 6 – 10 – Assess Workgroup Consultation Responses and Workgroup Vote	12 August 2025 18 August 2025 28 August 2025 02 September 2025 08 September 2025	Ofgem decision	December 2025
Workgroup report issued to Panel (3 Business Days)	12 September 2025	Implementation Date	10 Business days after Authority decision
Panel sign off that Workgroup Report has met its Terms of Reference	18 September 2025		

Review Terms of Reference

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Administrator



Public

CMP447 - Terms of Reference

Workgroup Term of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
a) Consider EBR implications	
b) Consider timing and process for implementation with regard to ongoing Connection Reform	
c) Consider if a wider approach that takes account to works designated by GEMA might be suitable.	
d) Consider the provision of anonymised data/ worked examples	

Proposer's Solution: Background; Proposed Solution; Scope; and Assessment vs Terms of Reference

Harvey Takhar – NESO



CMP447 – Proposer's Slides

- This mod is a follow-on mod to CMP428 (which was passed) and CM094 (which wasn't). It was raised by NESO at the January CUSC panel, where it was allocated medium/high, and later high, priority. This was reconsidered at the 9th June Panel, where there was a unanimous recommendatory vote in favour of Urgent status for this mod
- Arguments for urgency included that generators that are either already posting large securities in relation to their attributable works, which would be much less if this modification were passed, or which will face posting large securities absent this mod, from when Gate 2 offers begin to go out from October (some of the Generators already having to post excessive securities have told NESO they may cancel as these securities are so high).
- The above two paragraphs also explain why the proposer expressed to panel that the mod relates to something “imminent” – on the high priority timeline, the mod could not be determined by Ofgem until after Gate 2 offers; it is not fast enough. Panel accepted these arguments

CMP447, element 1 of 2 - Overview

- The mod relates to the user commitment regime, aka CUSC section 15 or CMP192, and within that, to the attributable works. Some generators may in their attributable works, have assigned to their potential cancellation charge, costs of circuit elements that represent onshore boundary reinforcement; elements which are not being built just for them, and which would be built regardless.
- CMP428 is in force, identified this issue in relation to the offshore network Holistic Network Design (HND), allowing removal of relevant costs from relevant generators' attributable works. To do this it introduced a new concept of “excluded works”.
- An STC mod, CM094, was raised proposing to do a similar thing, but in relation to ASTI and LOTI works. Instead of giving effect to the desired change within the CUSC, CM094 sought to make changes outside the CUSC. The definition of “excluded works” within the CUSC would have only had the CMP428 text.

CMP447, element 1 of 2 - Solution

- A concept was presented to 9th Jan TCMF suggesting to make the CM094 changes inside the CUSC (LOTI and ASTI works) as an extension to “excluded works” as added to the CUSC via CMP428.
- Attendees with views, responded with concerns that LOTI works are only the changes approved to TOs’ pre-existing business plans *within* the RIIO-T2 price control term; if the TOs’ pre-existing business plans that were approved ahead of the RIIO-T2 price control term, contained works that shouldn’t properly fall within any pre-commissioning generator’s attributable works, the cost of those works would not be excluded from its attributable works by a mod with legal text (as had been suggested to TCMF) that, as for CM094, only referred to ASTI and LOTI works.
- These stakeholders felt there was merit in allowing Ofgem to **designate** the relevant works, so that is how this mod has been raised. This concept of Ofgem designation of relevant works, has also been mentioned in CMP426 (see slides of its sole Workgroup meeting to date). However, one attendee at TCMF would have preferred to proceed immediately with a mod grounded only on ASTI and LOTI works.

CMP447, element 1 of 2 – Addressing the Defect

- This aspect of CMP447 would address the defect that some Users are providing unnecessary securities - creating a potential barrier to entry. This mod will better, we suggest, facilitate CUSC non-charging objective (b), enhancing competition
- Thus, where (for instance) the Authority has designated Transmission Reinforcement Works as relevant for this mod (or whatever other formulation for identifying the excluded works the workgroup, and workgroup consultation consultees, may identify or suggest), Users would no longer securitise for these specific works.

CMP447, element 2 of 2 (adjustment to fix where relevant)- Overview

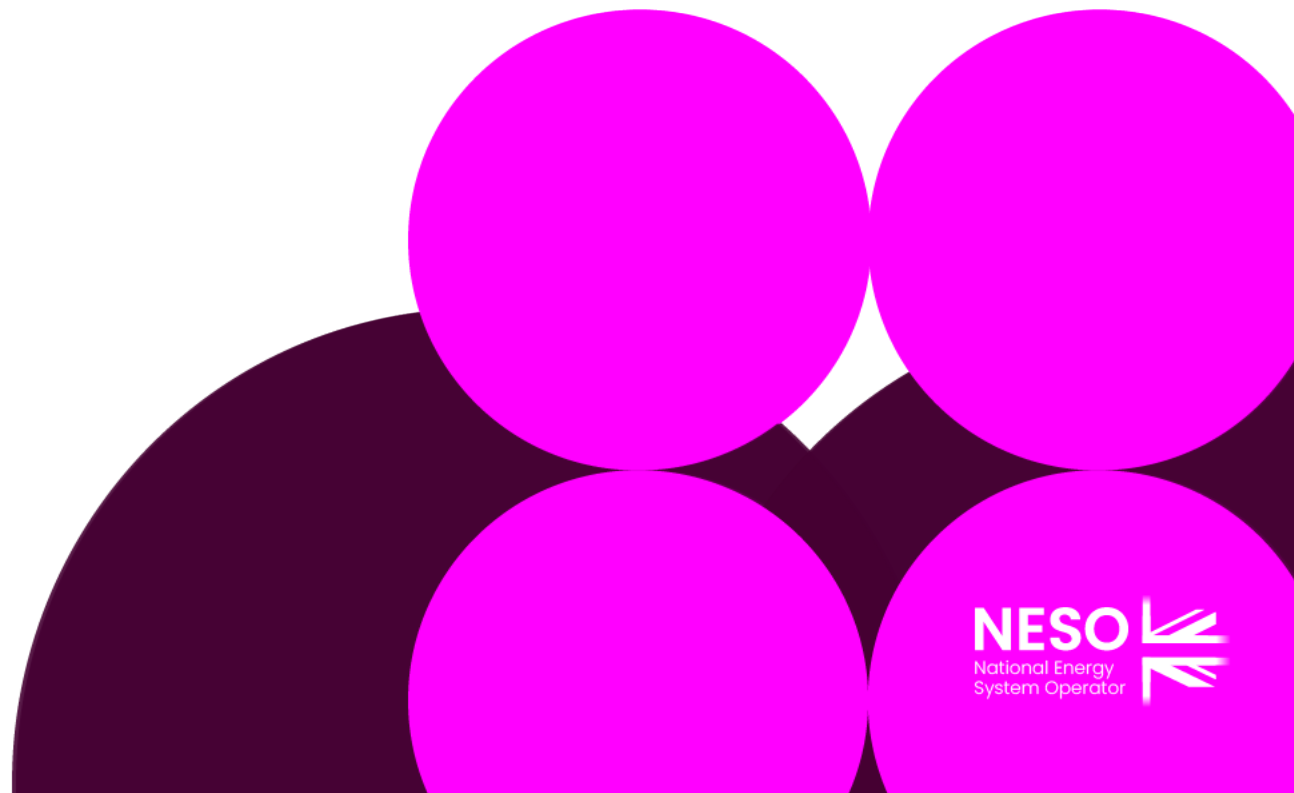
- The decision document on CMP428 suggested there could be a case of those who have fixed their attributable works, to adjust the fix for connectees where this mod would have benefited them had they not fixed
- There were no relevant generators under CMP428. We propose doing this (adjusting the fix) as the second part of CMP447 for all relevant generators it applies to, by, if they had fixed their attributable works, removing the relevant element of their fix, the rest of the fix remaining as an intact fix.
- The CMP192 principle, which we consider to be important and do not wish to undermine, otherwise remains firm that once fixed, attributable works cannot be adjusted.

CMP447 Impact and Implementation

- The workgroup stage will work up legal text taking account of views expressed there
- NESO Connections will assist us with some impact metrics
- Background : Construction Agreements and CUSC Section 15 require a User to provide security 45 days before the start of each Security Period. In terms of user agreements and statements, MM1 ([CUSC Exhibit MM, “Cancellation Charge Statement”, part 1](#)) specifies the potential cancellation charge, MM2 says how much of the potential cancellation charge the user has to secure, and MM3 sets out how the relevant cancellation works build up over time.

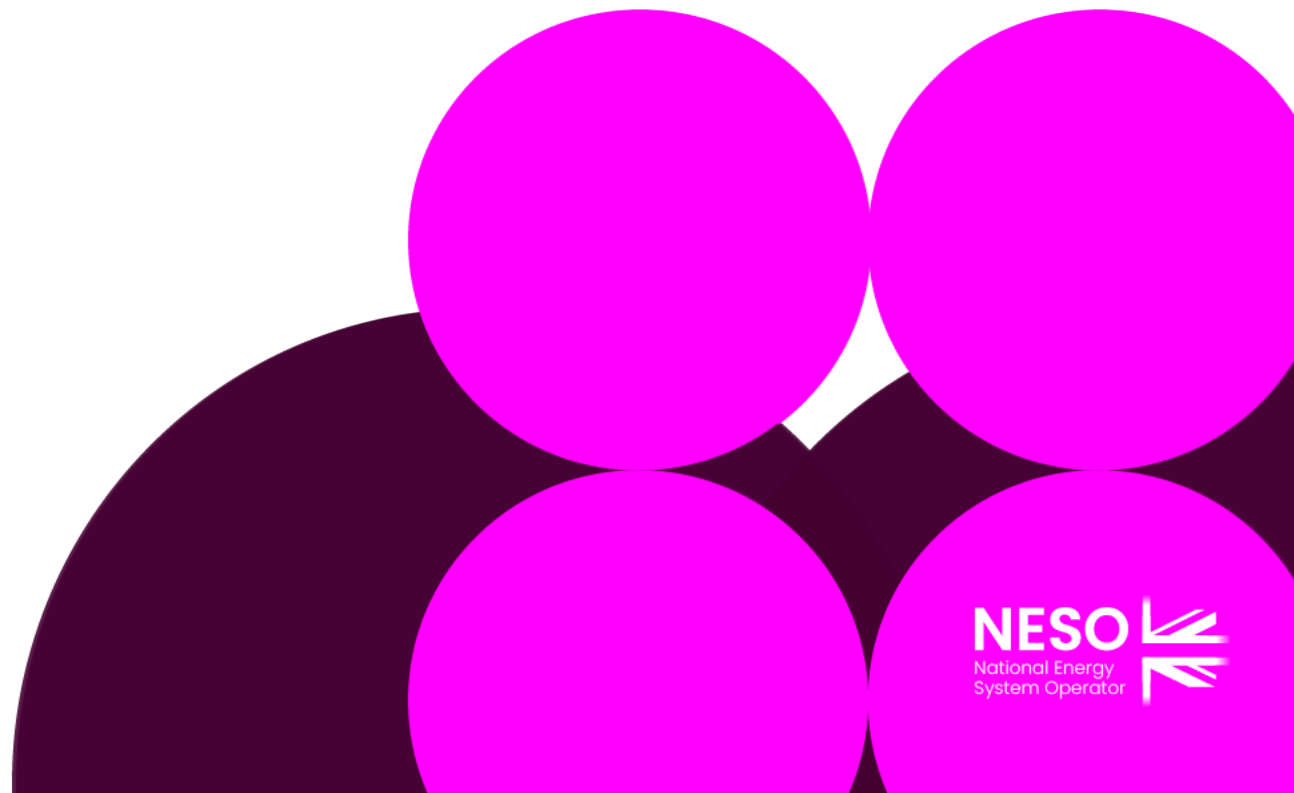
Agree Terms of Reference

Sarah Williams – NESO Code
Administrator



Any Other Business

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Next Steps

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