

CUSC Alternative Form – Non Charging

CMP448 Alternative Request 5:

Discount on PCF payable if a project self-terminates

Overview: This alternative would introduce a discount of 75% (subject to change following feedback from the workgroup) if the customer self-terminates, as opposed to being terminated by NESO upon failing to meet Milestone 1.

Proposer: Ciaran Fitzgerald, ScottishPower Renewables

☒ 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 alternative would introduce a discount of 75% (subject to change following feedback from the workgroup) if the customer self-terminates, as opposed to being terminated by NESO upon failing to meet Milestone 1. In order to receive the discount, self-termination would need to occur at least 90 days prior to the Milestone 1 date.

What is the difference between this and the Original Proposal?

This alternative would be identical to the original solution, other than the introduction of the discount in what is actually owed to NESO in the event of a project self-terminating before submitting planning. Developers would still have to fund and provide security to the full PCF value as outlined in the original solution. This would be payable in full, if a project was terminated by NESO, but only 25% would be owed of the value would have to be paid to NESO if a project self-terminated, at least 90 days prior to the milestone 1 date.

NB - The discount would also apply the portion of the PCF that is currently payable for TEC reductions in the original solution.

What is the impact of this change?

This potential alternative does not propose to reduce the magnitude of the PCF, so developers will still need to fund the security to the full value (that is up to £10,000/MW, if the PCF is activated). They will also be liable for the full value of the PCF if their project is terminated for failing to meet M1, so the deterrent is not diminished. However, the discount will encourage and incentivise developers to self-terminate, meaning more MW capacity within the connections queue will be made available to new, viable projects at an earlier stage. The discount will apply at all stages of the PCF fee increases, but this will be most beneficial in relation to projects which are on the maximum level of the fee, namely, £10,000/MW, as without this discount these projects would no longer have any incentive to review their viability and self-terminate earlier than the M1 milestone. This will also allow developers to face less of a financial penalty when self-terminating, which will lesson the risk of the PCF deterring viable projects from applying for a Gate 2 contract, due to the potential impact of having to pay the full PCF.

Proposer's assessment against CUSC Non-Charging Objectives

Relevant Objective	Identified impact
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(i) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	Positive As per the proposer's reasoning for the baseline. However, we believe this alternative creates drives greater efficiency in the process by creating an incentive for developers to terminate at the earlier appropriate opportunity.
(ii) 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;	Positive – as per the proposer's solution. However, we believe this will reduce the potential impact on developers. This will reduce the risk of viable projects being deterred from progressing to Gate due to the threat of the PCF, which will facilitate greater competition.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral – as per proposer's solution
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive – As per the proposer's reasoning for the baseline. However, we believe this alternative creates drives greater efficiency in the process by creating an incentive for developers to terminate at the earlier appropriate opportunity.

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective (iii) 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:

As per proposer’s solution prior to Gate 2 offers being issued by NESO.

Implementation approach:

As per proposer’s solution

Acronyms, key terms and reference material

Acronym / key term	Meaning
CUSC	Connection and Use of System Code
NESO	National Energy System Operator
PCF	Progression Commitment Fee
TEC	Transmission Entry Capacity