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## CUSC Alternative Form – Non Charging

# CMP448 Alternative Request 4: Simplified GB-wide PCF

**Overview:** The proposed alternative is to design the PCF to align more with the solution originally suggested by NESO in October 2024 but with some adjustments. The biggest of these adjustments is a mechanism to use the PCF incentivise ‘good behaviour’ and for unviable projects to leave the queue quickly and voluntarily.

**Proposer:** Grahame Neale, Lightsource bp

☒ I/We confirm that this Alternative Request proposes to modify the non - charging section of the CUSC only

## What is the proposed alternative solution?

The proposed alternative is to design the PCF to align more with the solution originally suggested by NESO in October 2024 but with some adjustments. The key variables of the alternative solution are.

1. A flat GB-wide PCF value of £20k/MW will be applicable to the same scope of projects as the CMP448 Original solution (i.e. those subject to User Commitment). The provision of financial security for the PCF (PCFS) will also remain the same as the Original solution.
2. The PCF will remain effective from Gate 2 contract acceptance through to 'Project Commitment' (Queue Management Milestone M7). Once milestone M7 is met, the PCF will be removed and PCFS returned.
3. There would be no trigger threshold, trigger metric or trigger activation governance as the PCF will simply be applied to all Gate 2 projects at the point of contract acceptance after the implementation date.
4. To incentivise positive behaviour, on project termination the PCF value the project will be liable for will be modified in the situations listed below.
  - a. Should NESO or the DNO need to terminate a project using Queue Management provisions, an additional 10% (i.e. £2k/MW increase to £22k/MW) will be applied to the PCF.
  - b. A 10% reduction (i.e. £2k/MW decrease to £18k/MW) will be applied to the PCF value should a developer terminate within 30 calendar days of an unfavourable decision on.
    - i. Planning consent approval (including appeals).
    - ii. CfD, CM or Cap & Floor contract award.
    - iii. Any other provisions as added 'protection 2' of the Gate 2 methodology.
    - iv. A legal decision by a court.

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The developer will need to supply evidence of the unfavourable decision and confirm project termination within the specified timeframe to benefit from the PCF reduction.

## What is the difference between this and the Original Proposal?

Key differences between this alternative and the Original Proposal are.

1. The value of the PCF (increased from £10k/MW to £20k/MW).
2. Fundamentally different approach to the profiling and timing of the PCF as well as how the PCF is triggered (i.e. the Original has a trigger mechanism, this alternative does not).
3. PCF value is influenced by developer's behaviour to incentivise unviable projects to leave the queue quickly and voluntarily.

## What is the impact of this change?

This change is expected to have the following impacts.

1. The larger value of the PCF will incentivise developers to more critically review the viability of projects. The potential for an increase or decrease in PCF value based on developer's actions is also aimed to promote 'good behaviour'.
2. The simpler mechanism (i.e. no trigger metric/threshold) will be a lower admin burden on NESO/DNOs, not require Ofgem involvement and is more transparent to developers.
3. It is easier for projects to forecast expected PCF costs and finance these accordingly. There is no need to forecast if/when the PCF may be triggered.

### Proposer's assessment against CUSC Non-Charging Objectives

Relevant Objective	Identified impact
(i) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	Positive  As per the Original but with the additional benefit that it is simpler to administer, is more

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	transparent for industry regarding the costs of the PCF and is more effective at providing a incentive for unviable projects to leave the queue.
(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 Original.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral Please provide your rationale
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive As per the Original.

\* 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:

Given the simplicity of this solution, we would expect this to be implemented 10 working days after Ofgem's decision; however practically it would need to be implemented before Gate 2 offers are issued as per the Original solution.

### Implementation approach:

As per the Original however due to simpler nature of this solution (compared to the Original) a decision before Gate 2 applications are made will allow developers to consider this PCF as part of their Gate 2 application rather than later when deciding if to sign a Gate 2 contract or not.

## Acronyms, key terms and reference material

Acronym / key term	Meaning
DNO	Distribution Network Operators
NESO	National Energy System Operator
PCF	Progression Commitment Fee
PCFS	PCFS Progression Commitment Fee Security