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CUSC Alternative Form – Non Charging

CMP448 WACM2:

Discount on PCF payable if a project self-terminates

Overview: This alternative would introduce a discount of 75% of the PCF if the User self-terminates, as opposed to being terminated by NESO or the relevant DNO 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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Guidance for Alternative Proposers

Who can raise an Alternative? Any CUSC or BSC Party, or Citizens Advice can raise an Alternative Request in response to the Workgroup Consultation.

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 CUSC Modification Proposal, the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Alternatives? NESO will develop the Legal text for all Workgroup Alternative Modifications and will liaise with the Alternative Proposer to do so.



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What is the proposed alternative solution?

This alternative would introduce a discount of 75% if the User self-terminates, as opposed to being terminated by NESO or the relevant DNO, upon failing to meet Milestone 1. To receive the discount, the **User must initiate the contractual self-termination process** 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 owed to NESO/the relevant DNO in the event of a project self-terminating before reaching the Milestone 1 Date. 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 or the relevant DNO, but only 25% would be owed of the value would have to be paid if the User **initiated the contractual self-termination process**, 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. **However, the User would need to initiate the contractual TEC reduction process (eg. submit a mod-app in the NESO portal), at least 90 days prior to the Milestone 1 date.**

- When a project initiates the contractual termination process 90 days or more before M1, but this process has not concluded by the termination date, the project will need to pay the PCF at the reduced rate (25%).
- When a project initiates the contractual TEC reduction process 90 days or more before M1, but this process has not concluded by the termination date, the project will need to pay the reduced rate (25%) on the amount reduced and the full rate on the remaining amount.
- In any case the discounted rate will only apply providing the application to terminate or reduce is not withdrawn prior to termination.

What is the impact of this change?

This WACM does not propose to reduce the magnitude of the PCF, so Users 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 to this extent, the deterrent is not diminished. However, the discount will encourage and incentivise developers to self-terminate, which will result in more MW capacity being released and 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 lessen 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 under all circumstances.

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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 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.
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* 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
BSC	Balancing and Settlement Code
CUSC	Connection and Use of System Code
DNO	Distribution Network Operator
MI	Milestone 1
NESO	National Electricity System Operator
PCF	Progression Commitment Fee
TEC	Transmission Entry Capacity