

Public

CUSC Section 15

Guidance note

Update for CMP428 and draft
update for CMP447 : User
Commitment for Generation

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1. Summary

New arrangements for generation user commitment ~~have been~~were codified in the Connection Use of System Code (CUSC) as a result of the CUSC modification Proposal (CMP) 192. The proposal was ~~raised by NGET in February 2011 and~~ approved by Ofgem on 30 March 2012. The new arrangements ~~will~~replaced the current interim Final Sums methodology and the Interim Generic User Commitment Methodology (IGUCM) for generators, and ~~took~~will take effect from 1 April 2013. The proposal was based on incentivising generation projects to provide notice of cancellation, closure and capacity reduction in a timely manner such that inefficient transmission investment by the transmission owners can be minimised, whilst reducing the barrier to new entrants that such arrangements represent.

The arrangements are set out in section 15 of the CUSC and comprise a generic liability to cover broad system investment (Wider), and a specific liability to cover local generator-driven investment (Attributable). All generation projects are liable for a proportion of the wider amount, whilst only pre-commissioning generation projects are liable for their particular attributable amount. In calculating the liabilities, the methodology includes a number of factors to more accurately reflect the risk of inefficient or stranded assets, and avoid over-securitisation of new investments. These factors cover sharing risk with consumers, potential for asset reuse by Transmission Owners (TO), catch-up investment, etc. Security for this liability

reduces for pre-commissioning generation projects as their project progresses to completion, whilst no security is required for post-commissioning users.

(DRAFT) This note has been updated to illustrate the changes that CUSC modification Proposal CMP428 brought in. This change ensures that there are no liabilities in attrib for transmission works classified as onshore reinforcement under HND, as described in its legal text, once they have been classified as such by the Authority (Ofgem). It does this by keeping these works, and hence their cost, out of the definition of attributable works in CUSC section 15.

This draft, for the use of the CMP447 workgroup at this stage, also illustrates the changes that would come in, if CMP447, extending the effect of CMP428 and allowing for adjustments of fixed attributable works in some circumstances, were it to be approved and implemented. CMP447 would achieve this by also excluding from attributable works, such transmission works as are designated for that purpose by Ofgem. Ofgem would have unfettered discretion under CMP447 in making such designations, but it is thought likely that it would take account of works such as ASTI and LOTI schemes, as these are sets of transmission construction works that have their funding approved by the Authority regardless of the progress of particular pre-commissioning generators. The Authority will make the decision, but is likely to take advice from NESO in contemplation of these designations.

2. Purpose of the document

This document has been written to provide guidance to customers about how the new arrangements impact their generation projects and how the new arrangements will be implemented ahead of 1 April 2013. Part 14 of this document includes a plan describing the key milestones.

This guidance document has been written to aid understanding, and does not in any way override/supersede any provisions within CUSC or any individual connection agreements, and the provisions and interpretation of the CUSC take precedence over this note.

3. Background

NESO and the other Transmission Owners (TOs) undertake investment works to accommodate the needs of generators already connected and those expected to connect in the future to the electricity transmission network. However, a generator may decide to cancel its project or reduce its capacity after the associated works have already begun. This may result in unnecessary costs to other network users, which are ultimately borne by the end consumer. User commitment arrangements place liabilities on generators triggering particular investment works, in order to financially secure the investment being undertaken on their behalf.

User commitment performs a vital function in ensuring adequate information is available to TOs to plan and develop the network in a manner that is economical and efficient, and protects the interests of consumers and wider industry. User commitment signals are also financially underwritten to incentivise the provision of accurate and timely information and to ensure that the risk of stranded assets is placed on those parties best placed to mitigate and manage the risk.

The User Commitment methodology introduced by CMP192 was implemented into a new section of the CUSC (Section 15) on 30 March 2012, with an effective date of 1 April 2013.

4. Attributable and Wider Transmission works.

The arrangements comprise a generic liability to cover broad system investment (Wider), and a specific liability to cover local generator-driven investment (Attributable). All generation projects are potentially liable if they cancel (or reduce capacity) for a proportion of the wider amount, whilst only pre-commissioning generation projects are liable if they cancel for their particular attributable or local amount. This part of the guidance document explains the differences between the two categories.

Attributable

Attributable Investment is driven directly by the connection of new generation and therefore the risk should be placed 100% on generation and not shared with demand.

Attributable works are those works in a construction agreement that directly relate to a generator being connected to the transmission network. This includes the works up to and including those at an existing Main Integrated Transmission System (MITS). Construction of a new MITS would be attributable, as all of the works up to and at the nearest suitable MITS would be attributable.

Definition of Attributable works (from CUSC section 11, definitions)

“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) but **excluding in each case (a) and (b) any Excepted Works**, and which in relation to a particular **User** are as specified in its **Construction Agreement**”

(note : It was CUSC mod CMP428, which has been implemented, which added in the reference to the exclusion of Excepted Works)

Definition of Excepted works (from CUSC section 11, definitions)

1. Below is the definition that was created, all of it, by CMP428 and comprises current CUSC baseline : “Any **Construction Works** which have been designated as “onshore transmission (reinforcement)” by the **Authority** in its decision of 19 October 2022 titled ‘Offshore Transmission Network Review: Decision on asset classification’ included in **The Company’s** ‘Pathway to 2030 (Holistic Network Design)’ report published in July 2022 or in any decisions by the **Authority** on the classification of assets included in **The Company’s** ‘Beyond 2030’ report published in March 2024”
2. Below is **draft** proposed text for this definition, if CMP447 is implemented ([changes from the above text are shown in red](#)) ÷

“any **Construction Works** which have been designated as “onshore transmission (reinforcement)” by the **Authority**, **either** in its decision of 19 October 2022 titled ‘Offshore Transmission Network Review: Decision on asset classification’ included in **The Company’s** ‘Pathway to 2030 (Holistic Network Design)’ report published in July 2022 or in any decisions by the **Authority** on the classification of assets included in **The Company’s** ‘Beyond 2030’ report published in March 2024, **or otherwise so designated by the Authority**;

Definition of MITS

Attributable works are defined as the works required to connect the generator to an existing MITS (Main Integrated Transmission System) node, as defined in Section 11 of the CUSC. Section 11 defines MITS nodes as follows:

- Grid Supply Point (GSP) connections with 2 or more transmission circuits connecting at the site; or,
- Connections with more than 4 transmission circuits connecting at the site.

A Grid Supply Point is defined in Section 11 of the CUSC as being a point of delivery from the National Electricity Transmission System to a Distribution System or a Non-Embedded Customer;

For the avoidance of doubt the existing MITS is a MITS already in existence at the time a generator is made an offer.

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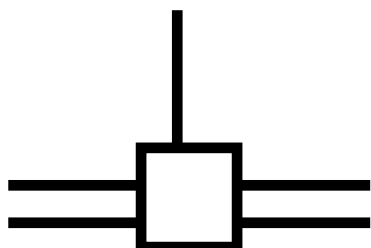
MITS maps

A map of the GB Existing Transmission System which includes 132kv, 275kv and 400kv substations is currently available in Appendix A1 of the Electricity Ten Year Statement.

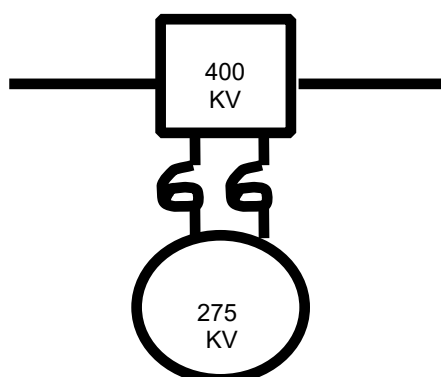
The MITS can be identified on the above map by identifying substations with more than 4 transmission circuits or a GSP with at least 2 transmission circuits. Any GSP with more than 2 transmission circuits is identified by the visibility of circuits that go from a higher to lower value (or vice versa) due to connecting to a DNO or Embedded Customer. Examples are provided below:

Examples of MITS

Example 1, Single MITS, more than 4 transmission Circuits :

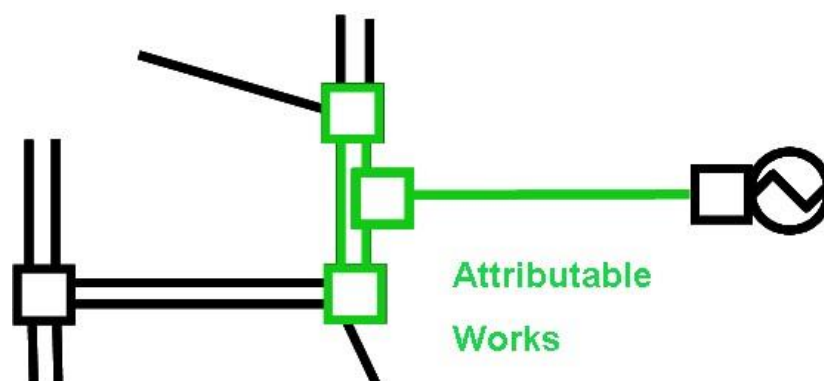


Example 2, Grid Supply Point (GSP) connections with 2 or more transmission circuits



Example 3, Generator connecting to Multiple MITS

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Wider

Both generation and demand drive the requirement for wider transmission investment and therefore the risk of any wider investment being inefficiently incurred should be shared 50/50 between Generation and Consumers.

Wider works in this context are the works that are not categorised as Attributable (ie the works on the MITS).

Sharing of Risk

- The liability for Attributable works is borne 100% by generation.
- The liability for wider system investment is shared 50/50 between generation and consumers.

	Generation	Consumers
Attributable	100%	0%
Wider	50%	50%

Definitions of Attributable and Enabling

In discussions with customers regarding CUSC Section 15, clarity was sought regarding the differences between Attributable Works, and the Enabling Works that form part of Connect and Manage¹.

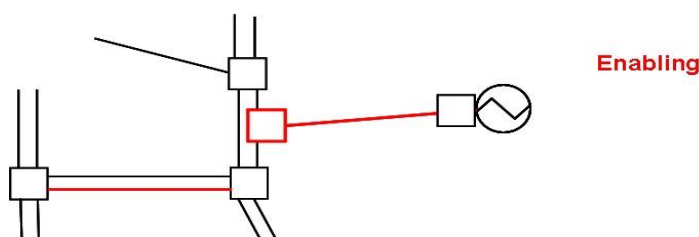
Enabling Works are the minimum transmission reinforcement works which need to be completed before a generator can be connected to, and given firm access to, the transmission system. This must include criteria to allow the system to be operated in a safe manner and without incurring excessive costs. Attributable Works do not factor in this

¹ <http://www.nationalgrid.com/NR/rdonlyres/01463C70-F178-4930-9A00-780FE5330F2D/47332/CMversion50.pdf>

criteria; for clarity, Enabling Works will be in a Construction Agreement Appendix H and Attributable Works will be in a Construction Agreement Appendix MM.

In some cases it is likely that the Enabling Works will be the same as the Attributable Works, however in some circumstances (eg long radial parts of the network), Enabling Works may be required to be greater than the works necessary to connect to the MITS. In other circumstances where there is sufficient diversity of operations, it is possible that Enabling Works will be less than the works necessary to connect to the MITS, and therefore less than the Attributable Works. Examples of Enabling vs. Attributable Works are given on the following page.

For the avoidance of doubt, the definitions of works used in the new arrangements under CUSC Section 15 do not replace or impact the definition of Enabling Works introduced by Connect and Manage.



Pre and Post Commissioning

The aim of the new arrangements in CUSC is to incentivise future generation projects (pre commissioning) to provide notice of cancellation in a timely manner, and for existing generation projects (post commissioning) to provide notice of closure or capacity reduction, in a timely manner. This will enable inefficient transmission investment by the transmission owners to be minimised.

Both pre and post commissioning generation projects may have an impact on decisions for new Transmission investment. The addition of new generation (pre commissioning) to the National Electricity Transmission System (NETS), and the closure of existing generation (post commissioning) has an equal and opposite effect on the need for network capacity. The cancellation of a pre-commissioned Power Station could affect attributable and wider transmission system investment decisions, and the closure of a post-commissioned generation project will only affect new wider transmission system investment decisions. The new arrangements in CUSC focus on information to assist transmission companies to efficiently manage ongoing new investments on the transmission system, and hence avoid under-utilisation of assets.

- The liability for pre-commissioning generation projects takes account of transmission investment for attributable and wider works; and

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- The liability for post-commissioning generation projects takes account of the investment for wider works only.

	Pre	Post
Attributable	Yes	No
Wider	Yes	Yes

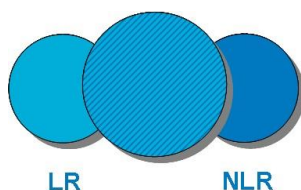
5. Calculating liabilities

The liabilities for both the Wider and Attributable works are calculated differently. The Wider Liability is generic and covers investment on the wider transmission system. The attributable liability is specific to the local investment driven by the connection of new generation projects. Examples of these are set out below.

Wider Liability

The wider liability is a zonal £/MW charge. The charges are to be published annually and are calculated from the apportionment of wider load related and non load related Capex across system boundaries, which are then mapped to generation zones. This process is broken down into the following four steps:

Step 1 - Each Transmission Owner (TO) provide the load related and non load related Capex for the next four years to give the total wider value at risk (VAR).



Step 2 – The wider VAR is then reduced by two factors :

- the User Risk Factor (URF) 50%. This factor accounts for the 50/50 share between generation and consumers described in part 4 of this document; and
- the Global Asset Reuse Factor (GARF) 33%. This value is fixed and represents the transmission assets which a TO could potentially reuse on another project.

Step 3 – Remaining VAR is then apportioned by boundaries and mapped to Generation Zones by reference to the zones used in the electricity ten year statement, ETYS.

Step 4 – An annual statement (the Wider Cancellation Charge Statement) of zonal wider liabilities by ETYS zone is published each January on the NESO Website.

To summarise, the generic wider liability is a zonal cancellation charge calculated by apportioning each Transmission Owner's (TO) wider Capex into the zones in the Electricity Ten Year Statement (ETYS).

The apportionment of wider Capex to each ETYS zone is based on the following factors.

Input	Source/Fixed Factor	Description
User Risk Factor	50%	Share of the wider risk between generation and consumers.
Global Asset Reuse Factor	33%	Percentage of the wider transmission assets which a TO could potentially reuse on another project.
Boundary levels	Nov 12 ETYS	Depth of each SYS boundary multiplied by the increase in required capability on that boundary.
Boundary non compliance factors	Nov 12 ETYS	Ratio between available capacity and required capability on each boundary.
Generation base	Nov 12 Generation Base	Current and Future Generation by zone.
Wider Capex data	April 2012 RIIO T-1	Sum of TO Capex excluding any attributable works cost.

Attributable Liability

The Attributable liability will be calculated bi-annually and will be specific to the components that make up the attributable works. Components are considered to be substations or lengths of cable or overhead line between substations (and not the individual assets making up that component). The process is broken down in the steps below:

Step 1 - Each Transmission Owner (TO) provide for each component, the total Capex estimate and the current estimate of cancellation amount for the next 6 month security period to give the total Value at Risk (VAR) per component.

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Step 2 – The Attributable VAR for each component is then reduced by 3 Factors (where appropriate).

Strategic Investment Factor (SIF)

This factor limits the attributable liability to the proportion of the investment that the generator has triggered. This factor ensures the generator isn't liable for more than their proportion should the TO build a component with greater capability than the generator requires. This also removes the volatility of previous sharing arrangements, where the actions of another generator could significantly impact the liability of another generator.

$$SIF = \frac{Generator_Capabilty_ (MW)}{Component_Capabilty_ (MW)}$$

Example: 500 MW Power Station and TO building a component capability of 2000 MW.

$$SIF = \frac{500}{2000} = 0.25$$

Local Asset Reuse Factor (LARF)

For each attributable component listed by a TO, the LARF is an estimate of what percentage of the component could be reused, should the attributable generator cancel their project. This percentage is an average representation of the ability to reuse any part of the component over the whole of the construction period. These factors will be linked to the component type, unless the TO considers that the design of the component is suitably different from the norm.

The LARF is an approximation of asset reuse and does not vary through the construction programme. As part of the implementation programme, we had hoped that a table of reuse factors for standard components would be published in this guidance document. However, we now understand that an estimation of reuse will vary across TOs, and will be on a case

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by case basis. Going forward, we will review this based on tested and proven data on reuse, following reconciliation data if/when generation projects terminate.

Distance Factor

- Where the nearest suitable MITS is not the connection MITS, the attributable works distance factor will be the pro rata share of the transmission capacity to connect the generation project to the nearest suitable MITS, on the transmission network.
- The distance factor allows a TO to make design decisions, without exposing the attributable generation project to more than the minimum attributable works.
- This factor is only applicable for components where distance is relevant ie cables and overhead lines. This factor will be determined at the start of the project based on the estimated straight line distances, and will not be updated throughout the construction programme.
- In some cases the MITS closet to the generation project is unsuitable, if for example the terrain makes the closest MITS uneconomical to connect to. The definition of Attributable however, is the nearest suitable MITS, and a TO will make the decision regarding the suitability. If there is a MITS that is closer and also suitable then the attributable works will be a pro-rated share.

Attributable component liability example:

$$\text{Component_VAR} \times \frac{\text{Generator_Capabilty_}(MW)}{\text{Component_Capabilty_}(MW)} \times (1 - \text{LARF}) = \text{Component_liability}$$

or;

$$£1,000 \times \frac{500}{1000} \times (1 - 0.4) = £300$$

Where;

$$\begin{aligned} \text{Component VAR} &= £1,000 \\ \text{Generator Capability} &= 500\text{MW} \\ \text{Component Capability} &= 1000\text{MW} \quad \text{LARF} = 40\% \end{aligned}$$

6. Liability profile

This part of the guidance document breaks down how the Wider and Attributable liabilities are profiled, from the application for a pre commissioned generation project through to the closure or capacity reduction of a post commissioned generation project.

Trigger Date

Key to how the profile works is the trigger date. Other than in the scenario described below, the trigger date is three financial years prior to the financial year of connection; this will be 1 April of that financial year (as shown in the examples in the table below).

Trigger Date	Completion Date
1 April 2014	31 October 2017
1 April 2015	20 April 2018

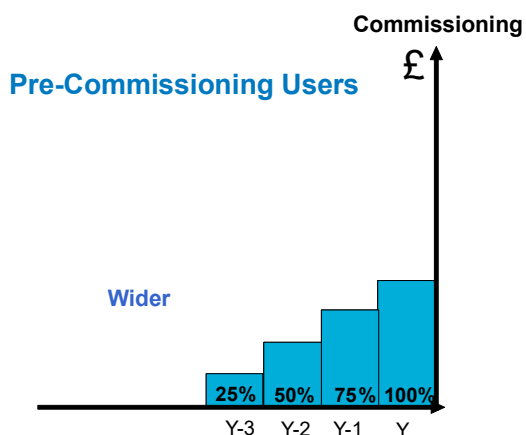
Where the completion date is changed by the generation project applying to delay completion, the Trigger date will not be amended in respect to the new completion date.

Where the Completion date is changed by the TO delaying the completion date, the Trigger date will be amended inline with the new completion date.

Wider Profile (Pre Commissioning)

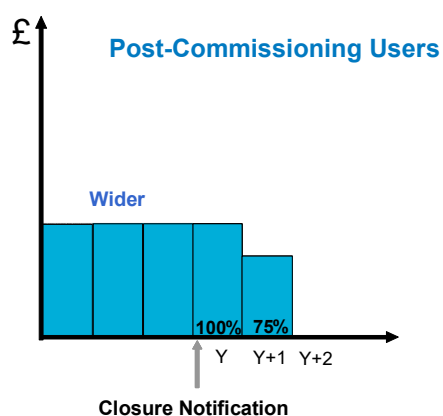
For pre commissioning generation, the wider liability begins at the trigger date, and builds up from 25% of the wider liability to 100% in the year immediately before commissioning, as demonstrated below.

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Wider Profile (Post Commissioning)

For post commissioning generation, the wider liability profile is driven by the notice period given prior to closure. With over two years notice, the liability will be 0% of the wider charge.



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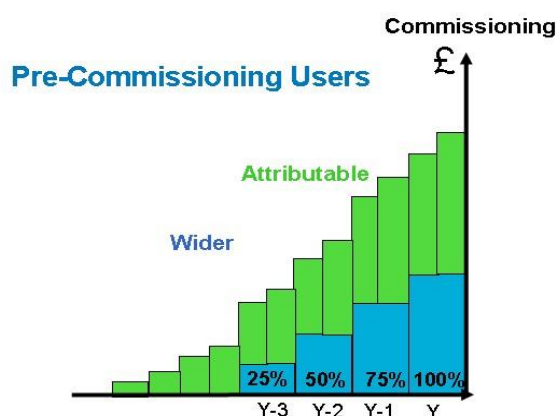
Notice Given	% Wider Liability
> 2 years	0
> 1 years	75
> 5 days	100

Examples of a generator providing notice on 01/05/2023:

Date Notice Provided	Effective	% Wider Liability
01/05/2023	01/05/2025	0
01/05/2023	06/05/2024	75
01/05/2023	31/10/2023	100

-Attributable Profile

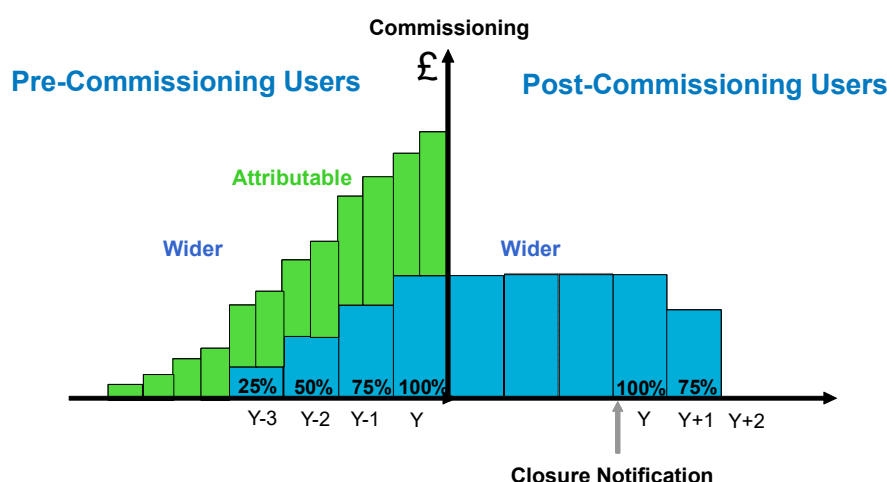
The attributable liability starts when a TO commits cost to the attributable assets. This liability will be provided bi-annually, and will give an estimate of the next bi-annual security period and the total Attributable Capex for each generation project.



Total Profile

The table below demonstrates the full user commitment liability.

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Actual or Fixed Attributable

Pre-commissioning generation projects will be given the choice to either fix their liability, or to receive a bi-annual update. This allows generation projects a full and transparent view of liabilities until commissioning. The bi-annual statements will reflect any changes to works up until the commissioning date. Those on a fixed liability will continue to receive bi-annual statements, although the liability amount will not change.

Pre commissioning generation projects, will be given the fixed option bi-annually until the fixed option is chosen. **Once a fix has been chosen, it cannot be undone. However, if CMP447 is approved and when implemented applies to a generator that has already fixed its attributable works, an adjustment will be made to remove any part of the attributable works cost at the time of fixing, that relates to or forms a part of a set of transmission works that Ofgem has designated under CMP447, and which therefore, if CMP447 is passed, now qualifies as excluded works, within the definition of attributable works.**

If the user opts to fix the attributable profile, there would, apart from the above adjustment, be no reconciliation upon termination of cost or reuse. Fixing can be done at any time, pre or post trigger.

Actual Security Profile

Unless generation projects opt for the fixed option, they will receive an updated statement biannually which will reflect the total liability, as well

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as the liability for the coming security period based on the TO expected expenditure up to that period.

Upon termination or capacity reduction whilst on the actual option, the attributable cancellation charge will be reconciled to reflect the actual TO spend as a result of that generation project.

Fixed Security Profile

At the time the bi-annual statement is issued, a profile demonstrating the cancellation amounts will also be provided, should the generator want the option to fix the attributable liability. Should this option be taken, the attributable liability will be fixed and apportioned in increments of 25% from the trigger date. If the fixed option is taken prior to the trigger date, the generation project will have a £/kW liability until the trigger point is reached, starting at £1/kW building up to a maximum of £3/kW. This liability will be capped at 25% should the £/kW value be higher than 25% of the liability.

For the avoidance of doubt, only attributable liability can be fixed, wider liability cannot be fixed.

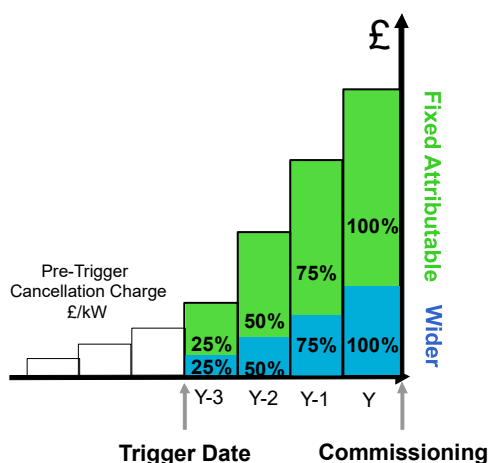
Completion year	100% of estimate of total cost
Completion year -1	75% of estimate of total cost
Completion year -2	50% of estimate of total cost
Completion year -3	25% of estimate of total cost
Completion year -4	£3/kW
Completion year -5	£2/kW
Completion year -6	£1/kW

To fix liability the generator must return a signed copy of the Appendix MM3, as described in Section 9, along with the security amount and prior to the security deadline (typically 45 days prior to the start of the next security period).

Once the Fixed Cancellation Charge has been selected, there is no option to revert back to an Actual Attributable Works cancellation profile. [\(note however the adjustment explained above that CMP447, if passed, allows for on implementation, for any relevant projects\).](#)

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Should a project be terminated, or reduce the capacity within their agreement, this fixed cancellation charge will not be reconciled; no refund will be given, and no further amounts will be invoiced.



7. Security

A key benefit for generation projects under the new arrangements is that the level of required security does not follow the same profile as the liability.

- Post Commissioning generators are not required to secure their wider liability.
- Pre Commissioning generators do secure a percentage of the liability; however this percentage reduces at trigger points as likelihood of completion increases.

Stage of generation project	Security as a percentage of annual liability
> 4 years from completion (Before trigger point)	100%
Pre consents (between trigger point and consents)	42% (but 45% for embedded)
Post consents	10% (but 26% for embedded)
Post commissioning	0%

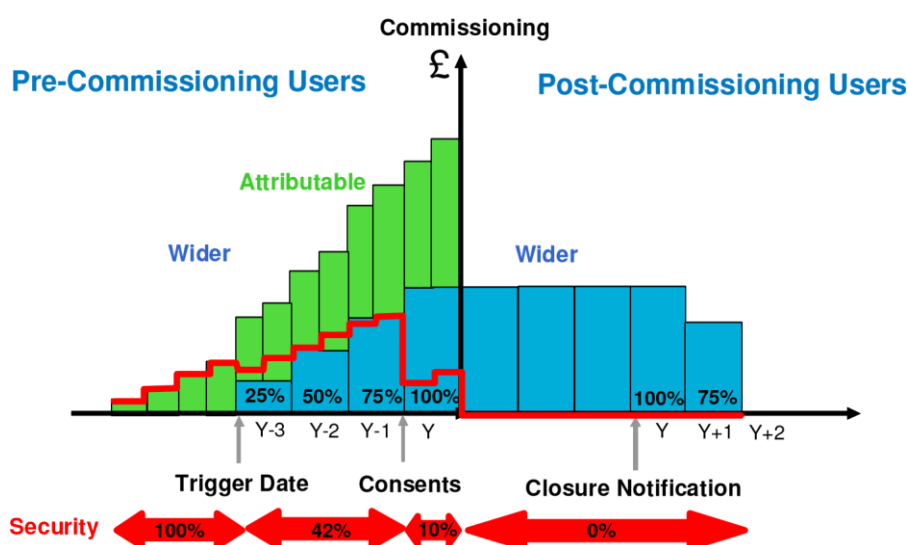
The percentages shown above may be reviewed at the start and mid-point of the price control period, and only changed beyond this in exceptional circumstances to aid stability and certainty. Further information on how the different figures for embedded generators were derived can be found in the Final Modification Report (FMR) for CUSC change CMP223, which altered the securitised percentages for embedded generation.

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These reductions are based on an assessment by the TO of the percentage of new projects which cancel, before or after achieving consents. The percentage reduction at each trigger point will be reviewed periodically. The current assessment is based on data between 2007 and 2011.

For the avoidance of doubt, before the trigger date the security will always be 100% of the liability, regardless of consent.

The red line on the graph below shows the required security over the liability.



Key Consents

Key consents which trigger the reduction of security to 10% of liability, relate specifically to the generator's key consents. This milestone has been used to reduce security, as a result of analysis on terminated projects. This analysis showed a reduced risk of generation projects not reaching completion, after consents had been achieved. Typically, NESO will be satisfied that consents have been achieved once the developer provides notification that all key consent items have been granted in respect of the appropriate act. Example below:

"The consent and/or planning permission required to construct the Power Station granted (as appropriate and depending on location and size of Power Station) under or pursuant to Section 36 of the Act, the Planning Act 2008, the Town and Country Planning Act 1990 and Town and Country Planning (Scotland) Act 2006 and the discharge of such conditions attached to that consent and/or planning permission as The Company acting reasonably shall require."

However, there may be cases where conditions associated with consents must be also be discharged. Customers should contact their Customer Account Manager if they believe that they have been granted the key consents that enable them to commence works on the generation site. Once NESO is satisfied that key consents have been achieved, reductions to security requirements may be changed mid period and any resulting surplus security returned to the customer.

8. Termination, closure and capacity reduction

Pre commissioning - Actual

For a generation project that has remained on the Actual liability, and the agreement is terminated, NESO will invoice for the liability detailed in the MM1 (cancellation charge). The liability will be reconciled against actual spend, and the difference either invoiced or credited to the developer.

Should the developer fail to pay the invoiced cancellation charge, NESO will draw down on the secured amount detailed in MM2 (Cancellation Charge Secured Amount) and seek to recover any remainder through other channels.

Pre-commissioning - Fixed

For a generation project that has chosen to fix their liability, and the agreement is terminated, NESO will invoice for the liability detailed in the MM1 (cancellation charge). If capacity is reduced (partial termination), NESO will invoice for the proportion of the liability that the MW reduction reflects. The cancellation charge will not be reconciled to reflect actual spend.

As with Actual, should the developer fail to pay the invoiced cancellation charge, NESO will draw down on the secured amount detailed in MM2 (Cancellation Charge Secured Amount) and seek to recover any remainder through other channels.

Post-commissioning

The liability for a post-commissioning generator is dependant on the notice provided for closure or capacity reduction.

- If notice is given greater than two years prior to closure or reduction, the liability will be 0% of the wider charge and therefore no action will be taken.
- If notice is given less than 2 years prior to closure or reduction (1 year and 5 days), the generator will be invoiced for the percentage of the cancellation charge as described in Part 6 of this document. The invoiced amount will be calculated using the wider cancellation charge statement in place at the date of notification.

No security or User commitment is required for attributable assets post commissioning. The exception to this is for connection assets. For pre commissioned Users where connection assets have been identified as attributable works, these will be secured under the new arrangements. For post commissioned Users, connection assets can either be paid for upfront in which case no security would be required. Alternatively, these connection assets can be paid for over an agreed period (normally 25 or 40yrs). In this case, a termination amount would be secured by the user. This termination amount is not secured under the new arrangements, and this process is detailed in CUSC 2.20 and 2.21.

9. Date Changes

For pre commissioning generation projects where the date of commissioning changes, the treatment of the Trigger date (as described in section 6 of this document) differs dependent on whether this is initiated by the User or the Transmission Owner.

Date Changes by User

Where a change is initiated by the developer, the principles below will apply:

1. If the change in date occurs pre trigger date, the trigger date will be revised to the default position in respect of the revised commissioning date,
2. If the date change occurs post trigger date, the trigger date will not be revised in respect of the revised commissioning date. The fixed attributable and wider profile will be held at the current level and will increase from that level in line with the revised construction programme.

However, where an application is made by a User to change the completion date, and this application is submitted prior to the CMP192 effective date of 1 April 2013, the trigger date will be revised to the default position in respect of the revised commissioning date for this transitional period.

Date Changes by TO

Where a change is initiated by the Transmission Owner, the principles below will apply:

- If the change in date occurs pre trigger date, the trigger date will be revised to the default position in respect of the revised commissioning date,

- If the date change occurs post the trigger date, the trigger date will also be revised in respect of the revised commissioning date.

10. CUSC

CMP192, and CMP428 which added to it, are now detailed in the CUSC within Section 15 - User Commitment methodology. This part of the guidance document lists the newly implemented and amended CUSC sections. The key benefits of codifying security arrangements within CUSC, are to provide transparency of the methodology, and to enable any CUSC party to be able to raise a modification to these arrangements, using the usual CUSC governance process.

A full list of the amended and new CUSC sections is provided below; these will give you a fuller understanding of the revised format for Construction agreements and associated appendices:

- [Section 10 – Transition Issues](#)
- [Section 11 – Interpretation and definitions](#)
- [Section 15 – User Commitment methodology](#)
- [Schedule 2 Exhibit 3 – Construction Agreement](#)
- [Exhibit MM1 Cancellation Charge Statement](#)
- [Exhibit MM2 Cancellation Charge Secured Amount](#)
- [Exhibit MM3 Notification of Fixed Attributable Works Cancellation Charge](#)

Cancellation Charge Statements

Under new CUSC Section 15, NESO will be providing Users with 1 new appendix (Appendix MM) and 3 bi-annual statements (Appendix MM1-MM3) which outline liabilities and/or securities required on a bi-annual basis. The appendices and statements are explained below.

MM Attributable Works

This appendix will form part of the construction agreement and will include the following items:

- The works that have been designated as attributable.
- The LARF (Local Asset Reuse Factor) for each attributable component.
- The SIF (Strategic Investment Factor) for each attributable component.

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- Key Consents.

MM1 Cancellation Charge Statement

This bi-annual statement details the cancellation charge (**liability**) for the forthcoming six month period. (This is **NOT** the amount required to be secured). This will include the following items:

- Wider Cancellation Charge.
- Attributable Cancellation Charge.
- Total Cancellation Charge (Sum of the wider and attributable).
- Generation zone in which the Power Station will be connecting into.
- This will be a statement signed by an authorised NESO signatory.

MM2 Cancellation Secured Statement

This bi-annual statement details the amount of the cancellation charge that must be secured in the forthcoming six month period. This will include the following items:

- Security Amount for the forthcoming six month period.
- Total cancellation charge (Sum of the wider and attributable).
- Percentage of the total cancellation charge used to calculate the secured amount (10%, 42% or 100%).
- This will be a statement signed by an authorised NESO signatory.

MM3 Notification of Fixed Attributable Works

This statement provides the user with their **attributable liability** from the date of the statement to completion, if the fixed option is elected.

This will include the following items:

- Pre trigger date will detail the £1/£2/£3 per kW per financial year*.
- Post trigger date will detail the percentage of the estimate of the final attributable works capital cost that makes up the fixed cancellation charge.
- The attributable works, costs and factors that the fixed cancellation charge is based upon
- For the avoidance of doubt, the user can only fix their attributable works cost, the wider cancellation charge will always be based on the wider tariff information published on the NESO website.

*Notes on the £/KW amount

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- £1/KW only applies to the first year after signature of connection agreement and;
- £2/KW only applies in the second year after signature of connection agreement.
- £3/KW applies in the third year after signature until trigger date is reached.
- When opting to fix pre trigger date, the fixed cancellation amount will be in respect of the date the construction agreement was signed, ie if fixing in the third year after signature or more, and pre trigger date, the user would go straight to £3/KW.
- Where £1/KW, £2/KW or £3/KW is greater than 25% of the total attributable cancellation charge, the cancellation charge for the pre trigger years will be capped at 25% of the total attributable cancellation charge

(The difference between the MM1 and MM3 is actual v fixed).

Upon termination, users will be invoiced for the cancellation amount;

- The wider element of this cancellation amount isn't subject to any further reconciliation.
- If fixed, the attributable amount isn't subject to any further reconciliation.
- If Actual, within 60 days the generator will be provided with an estimate of the revised estimate of the attributable cancellation charge, and justification of spend and any reuse. As soon as possible after this (and a maximum of 12 months of the termination or reduction) the generator will receive a revised statement, and any difference will then credited or invoiced to the generator within 28 days of the statement being issued.

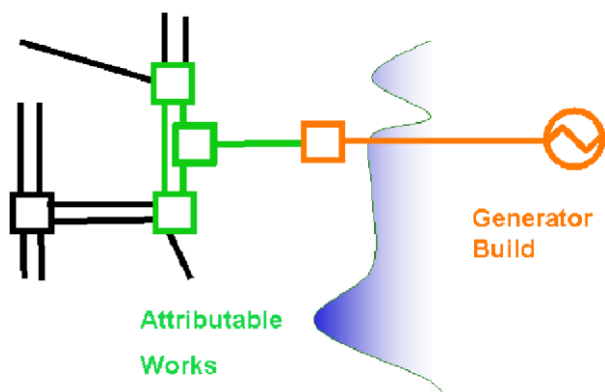
11. Offshore arrangements

The new user commitment arrangements apply to offshore generation in the same way that it does for onshore generation. Onshore and Offshore transmission owners will provide Capex costs for attributable and wider investments, which will be used to calculate liabilities.

Generator Build

Where the offshore assets are built by the User under the Generator Build option, these assets are out of scope for new arrangements. NESO will not require security from a Generator Build party for transmission assets being built under OTSDUW Arrangements. For clarity, only transmission assets being constructed by a Transmission Owner will be captured by the arrangements in CUSC Section 15.

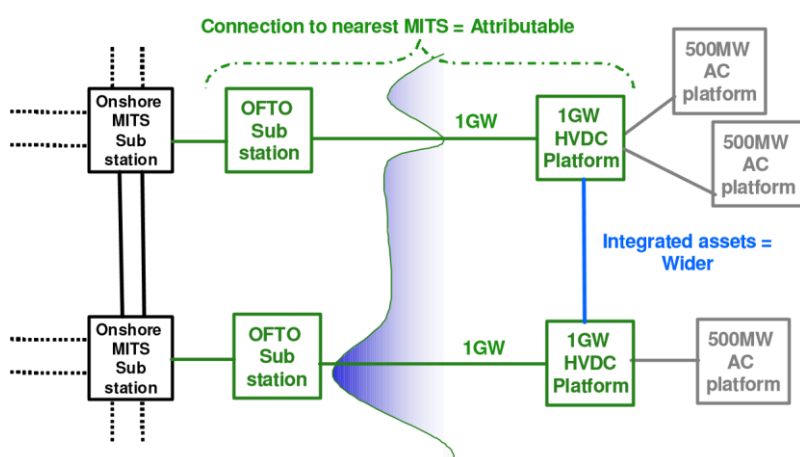
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Integrated Offshore

The arrangements for an Integrated Offshore solution are currently being consulted on by Ofgem, and will be developed further by the industry. As noted above, in its current form the new arrangements will only apply to transmission being developed by TOs; however this does not preclude proposals being made to amend section 15 as integrated offshore is developed further.

In the example below both the links to the onshore transmission and the integrated links between platforms are being constructed by an OFTO, and therefore the new arrangements would apply. The attributable works will be the minimum works required to connect the offshore generator to the MITS (shown in green). Any links between offshore platforms (shown in blue) will not be categorised as attributable, and therefore by default be categorised as Wider. In this example, the generation project will only be exposed to specific liabilities for the minimum works to connect to the MITS and the integrated links will be socialised into the wider cancellation charge.



As more co-ordinated/integrated offshore designs are developed by the industry, the user commitment arrangements specific to these will be need to be explored. These

~~discussions are expected to be progressed as part of the consultations on co-ordinated networks, being proposed by Ofgem.~~

A proposal, CMP428, was made to amend section 15 to reflected integrated offshore development and the holistic national design. This change, approved and implemented, ensures that there are no liabilities for transmission works classified as onshore reinforcement under HND, as described in its legal text, once they have been classified as such by the Authority (Ofgem). It does this by keeping these works, and hence their cost, out of the definition of attributable works in CUSC section 15.

12. Embedded Generation

Generation projects connected to the distribution networks (referred to as embedded generation) may also have an impact on the transmission system, and therefore may also have a liability for works on the transmission system. This part of the guidance document explains how the new arrangements apply to embedded generation.

In the new arrangements, embedded generation will not carry a user commitment liability post commissioning, either directly through connection agreements with NESO, or through connection agreements with the Distribution Network Operator (DNO).

The pre commissioning user commitment arrangements will apply to embedded generation projects with an impact on the transmission system. Embedded generation projects with Bilateral Embedded Generation Agreements (BEGAs) have access to the transmission system. In these cases, NESO will pass the pre commissioning wider liability to the User, and the attributable liability to the DNO.

For embedded generation projects without transmission access, ie Bilateral Embedded Licence Exemptible Large Power Station Agreement (BELLAs) and Statement of Works projects (SOW), NESO will pass both the pre commissioning wider liability and the attributable liability to the DNO.

In these cases, the DNO may choose to pass a liability onto the embedded User through their distribution connection agreement. The contractual relationship between the DNO and the embedded generation projects falls outside of the CUSC.

13. Interconnectors and Storage

The user commitment methodology detailed in section 15 of CUSC, was extended to interconnectors and storage following the implementation of CMP222 (User Commitment for Non-Generation Users) on 1st April 2015.

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14. Demand User commitment.

The user commitment methodology detailed in section 15 of CUSC, summarised in this guidance note, is currently only applicable to generation and interconnectors. *(as at 9th July 2025, a CUSC mod is at workgroup, CMP417, that could alter the user commitment arrangements for demand, which at this time remains subject to the “final sums” regime).*

15. BELLA / BEGA Contracted sites

For a BEGA, the post commissioning wider cancellation charge is passed to the user if triggered by cancellation, as they have explicit TEC. For a BELLA, the post commissioning wider cancellation charge would be passed to the DNO.

CMP223 was implemented into the CUSC in 2015, and requires embedded generation to secure a different percentage to directly connected generation under CUSC Section 15, as detailed within section 5 of this statement need to expand.