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CUSC Modification Proposal Form

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

Overview: This change proposal is a follow on to CMP428.

CMP447 extends the effect of CMP428 in a similar manner to that proposed in CM094.

This modification also adjusts the fixed attributable works of relevant Generators where CMP447 would have benefited them had they not fixed, by removing the relevant element of their fix, the rest of the fix remaining as an intact fix. The principle otherwise remains undisturbed that fixing of Attributable Works is permanent and irreversible.

Modification process & timetable



Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a : Low impact on Suppliers; Low impact on most Generators, but high impact on some Generators.

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Proposer's recommendation of governance route	Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)	
Who can I talk to about the change?	<p>Proposer:</p> <p>Paul Mott</p> <p>Paul.Mott1@nationalenergyso.com</p> <p>07752987992</p>	<p>Code Administrator Contact:</p> <p>Catia Gomes</p> <p>catia.gomes@uk.nationalenergyso.com</p>

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What is the issue?

CMP428, which was approved and is now within baseline CUSC, excluded some circuits that would otherwise have been classified as Attributable Works, from being so classified, wherever the Authority within the Holistic Network Design (HND) designates circuits which would otherwise fall within their Attributable Works, to comprise Onshore Transmission reinforcement. That modification redefined the User Commitment liabilities for Generators connected via Onshore Transmission reinforcement within the HND. This ensured that the purpose and function of circuits classified as Onshore Transmission reinforcement were considered when determining which Users are responsible for the associated “attributable works” liabilities under CUSC Section 15, the user commitment regime which arose from CMP192. A new definition of excluded works was created to give effect to CMP428.

CM094 was also raised under the STC by Scottish and Southern Electricity Networks. It sought to remove securities (to exclude further candidate attributable works from a generation project’s potential cancellation liabilities) when the Authority has approved a needs case for relevant onshore reinforcement involving ASTI (Accelerated Strategic Transmission Investment) or LOTI (Large Onshore Transmission Investment) works.

CM094 was felt in the decision letter rejecting it¹, to have had some inherent merit, but was nonetheless rejected as it would have created a misalignment between the respective (STC and CUSC) codes, considering that CMP428 was (like CMP192) raised and sat within Section 15 of the CUSC, and as approving both Proposals would have created a situation wherein there would have been conflicting legal text across two codes relating to User Commitment arrangements and securities.

Ofgem in its decision document did suggest that both CMP428 and CM094 could be “consistent with [its] previous policy intent of encouraging coordinated expansion of the offshore network”. It agreed that User liabilities should be apportioned in a fair manner, as asking specific Users to secure liabilities wholly for these assets might discourage Offshore Developers from connecting to these circuits and could jeopardise Government Net Zero targets.

Connecting Users currently provide securities against attributable works part of which may be associated with strategic reinforcement works approved by the Authority, notwithstanding that the build is not specifically triggered by the connection of the Users.

¹ https://www.ofgem.gov.uk/sites/default/files/2024-06/CM094_Decision_11Jun2024.pdf

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CMP428 has added an exclusion (excluded works) in relation to relevant HND circuit designations; this mod aims to extend that excluded works definition.

The RII0-ET2 Final Determinations decision established the Large Onshore Transmission Investment (LOTI) mechanism to assess and fund large (£100m+) Onshore Transmission projects during the Current transmission Price Control Period (“RII0-T2”). In December 2022 Ofgem decided to introduce a new Accelerated Strategic Transmission Investment (ASTI) framework to accelerate delivery of large onshore projects to deliver the Government's objective to connect up to 50GW of offshore generation to the network by 2030, which came into force in August 2023. Where the HND projects meet the criteria for Onshore Transmission classification, the relevant Transmission Owners (TOs) will be responsible for developing the Detailed Network Design (DND) of these projects which are likely to qualify for consideration under LOTI and ASTI. Through the price controls framework, the Authority has approved and may in future approve further specific infrastructure projects for a relevant TO as part of this strategic approach to reinforcement of the network.

The primary issue is the need to extend the effect of CMP428 to other relevant circuit elements comprising onshore boundary reinforcement, that are not HND works.

Adjustment of fixed attributable works

There is another, secondary, issue. It is summarised neatly in Ofgem’s decision document² on CMP428: “We recognise that some Users will have opted to fix their liabilities at the point of contracting, and that the benefit of this CMP428 may not, without further proposals being brought forward, be felt by them. We believe NGESO should now consider whether, or the extent to which i) consequential changes to the processes contained within the CUSC or STC are required as a result of this CMP428; and ii) arrangements for existing Users who have already selected to fix³ their liabilities should be reviewed. We will consider any further proposals and associated requests for Urgency on their specific merits”.

The second this CMP447, arises from the need to allow parties which have fixed their attributable works to have the fix adjusted by removing excluded works cost due to these

² https://www.ofgem.gov.uk/sites/default/files/2024-06/CMP428_Decision_11Jun2024.pdf

³ CUSC Section 15.6.2 prevents a User who has elected for Fixed Cancellation Charges, reverting to an Actual Attributable Works Cancellation Charge i.e. un-fixing. This is a sacrosanct principle of the design of CUSC section 15, and should not be undermined. This narrow, specific, case with its unique justification solely proposes an adjustment to the fix to remove the relevant element, **not** a “release” of the fix (not an un-fix, not a reversion to live attributable works, neither as an option or as the main feature).

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very specific circumstances only. This could be affected by way of a one-off recalculation for existing Fixed Liabilities.

Why change?

A number of Generators have been assigned high Attributable Works potential cancellation charges, with securitisation of the same to the usual CUSC Section 15 timescales.

What is the proposer's solution?

A concept of the solution was taken to the Transmission Charging Methodology Forum, TCMF, 9th January 2025. It would have, as its main part, extended the effect of CMP428 to ASTI and LOTI works. Stakeholder views expressed at (TCMF) were that not all of the works that should be excluded from parties' Attributable Works under this modification, in addition to the effect of CMP428 (HND), will be ASTI and LOTI works. It was suggested that some works in TOs' business plans that do not fall in either category, not being not later tagged during the course of the present Transmission Price Control, RIIO-T2, as LOTI works, can nonetheless occasionally comprise strategic onshore reinforcement, and that a better formulation for the solution, embodied in CMP447, than referring to ASTI and LOTI, would be to add something like *"or any other Construction Works which have been designated as comprising 'onshore transmission reinforcement' by the Authority"* to the existing baseline (CMP428-based) definition of excluded works. The optimal formulation of the legal text can be debated at the Workgroup.

This modification solution also embodies adjustment of the Attributable Works for relevant generators that had fixed their Attributable Works, to remove the cost of the part of their fix that represented excluded works under this mod.

Draft legal text

To be worked up by the Workgroup.

What is the impact of this change?

This would address the defect that Users are providing unnecessary securities – creating a barrier to entry. This change Proposal would remove this barrier and would thereby deliver benefits including the facilitation of Net Zero, acceleration of User's connections, and the minimisation of construction delays.

Thus, where (for instance) the Authority has designated Transmission Reinforcement Works as relevant for this mod (or whatever other formulation for identifying the excluded

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works the workgroup, and Workgroup Consultation consultees, may identify or suggest), Users would no longer securitise for these specific works. NESO will need to confirm when the securities would be able to be released.

The change will be beneficial to a range of Generators. Some worked examples will be provided to the Workgroup – one was already presented to TCMF 9th January. NESO's connections team will not have resource to do a comprehensive assessment of the number of beneficiaries.

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	Neutral
(b) 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;	<p>Positive</p> <p>Enhances competition by ensuring that generation stakeholders all face appropriate attributable works within their potential cancellation charge liabilities (and hence are securitising an appropriate amount).</p> <p>It will, if passed, provide clarity to the industry on what assets are classified as Attributable Works for Generators. It is likely that an increasing number of Customer connections will be realised by reducing the number of</p>

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	unnecessary securities required by Generators/demand Customers.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Neutral
<p>* See Electricity System Operator Licence</p> <p>**The Electricity Regulation referred to in objective (c) 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.</p>	

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	None
Lower bills than would otherwise be the case	<p>Possible that more efficient competition could reduce bills allowing net zero to be achieved more cheaply.</p> <p>Progressing with reform now will ensure that the securities regime is fit for purpose to support timely connection to projects associated with ASTI and future Centralised Strategic Network Plan (CSNP) works.</p>

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Benefits for society as a whole	Possible that more efficient competition could allow net zero to be achieved more cheaply and sooner. The modification if passed would help meet net zero targets of both the Scottish Assembly and UK government by enabling additional renewable development. Potential benefit to the Orkney and Scottish economies, through enabling community-owned wind farm developments.
Reduced environmental damage	Possible that more efficient competition could allow net zero to be achieved more cheaply and sooner.
Improved quality of service	No

When will this change take place?

Implementation date

10 working days after- Authority Decision

Date decision required by

Generators are adversely affected by having to over-secure already; we hope that Panel might feel able to assign the modification high priority so that it can be in place by late Summer.

Implementation approach

NESO will work with the TOs to agree the contents of any communications and the most appropriate methods for communicating these changes to customers.

Interactions

- | | | | |
|---|---|--|--------------------------------|
| <input type="checkbox"/> Grid Code | <input type="checkbox"/> BSC | <input checked="" type="checkbox"/> STC | <input type="checkbox"/> SQSS |
| <input type="checkbox"/> European Network Codes | <input type="checkbox"/> EBR Article 18 T&Cs ¹ | <input type="checkbox"/> Other modifications | <input type="checkbox"/> Other |

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Acronyms, key terms and reference material

Acronym / key term	Meaning
ASTI	Accelerated Strategic Transmission Investment
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CSNP	Centralised Strategic Network Plan
CUSC	Connection and Use of System Code
DND	Detailed Network Design
EBR	Electricity Balancing Regulation
HND	Holistic Network Design
LOTI	Large Onshore Transmission Investment
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

Reference material

https://www.ofgem.gov.uk/sites/default/files/2024-06/CMP428_Decision_11Jun2024.pdf
https://www.ofgem.gov.uk/sites/default/files/2024-06/CM094_Decision_11Jun2024.pdf