

Public

CUSC Panel 09 June 2025

CUSC Panel Minutes

Date: 09/06/2025 **Location:** Microsoft Teams

Start: 10:00 AM **End:** 11:00 AM

Participants

Attendee	Initials	Representing
Penny Garner	PG	Acting Independent Panel Chair
Catia Gomes	CG	Panel Secretary, Code Administrator
Ren Walker	RW	Panel Technical Secretary, Code Administrator
Andy Pace	AP	Consumers Panel Member
Binoy Dharsi	BD	Users' Panel Member
Cem Suleyman	CS	Alternate Panel Member
Garth Graham	GG	Users' Panel Member
Joe Colebrook	JC	Users' Panel Member
Joe Dunn	JD	Users' Panel Member
Kyran Hanks	KH	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Daniel Arrowsmith	DA	NESO Panel Member
Nadir Hafeez	NH	Authority Representative
Harriet Harmon	HH	Authority Representative

Apologies

Public

Attendee	Initials	Representing
Andrew Enzor	AE	Users' Panel Member

Presenters

Attendee	Initials	Representing
Joe Henry	JH	CMP448 Chair
Harvey Tahkar	HT	CMP447 Proposer
Paul Mott	PM	CMP447 Alternate Proposer

1. Introductions, Apologies and Declarations of Interest

12907. Apologies were received from Andrew Enzor.

2. Draft Final Modification Report

CMP448: Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

12908. JH delivered a presentation on CMP448, explaining that this proposal establishes a framework to introduce an additional financial requirement on developers, that can be activated if required, to incentivise the timely removal of unviable projects from the connections queue and facilitate the more timely and efficient connection of viable projects. In doing so it will support progress towards clean power by 2030 ("CP30") and net zero targets.

12909. JH provided the Panel with an overview of the Original solution, WACM1 and WACM2, which is as follows:

- Original Solution: If approved, the proposal would introduce a Progression Commitment Fee (PCF) which, if activated, would place a financial incentive on developers to exit the connections queue in a timely manner should the developer lose confidence that its generation or interconnector project will ultimately connect. A User will be required to post a security for the total value of the applicable PCF £/MW for their project (as is required, currently, for other cancellation and termination charges – Note: this potential PCF liability, and its securitisation, is additional to those other charges). If activated, the PCF will apply to those projects with either Transmission Entry Capacity (TEC) , or Developer

Public

Capacity (DC) or Interconnector Capacity (IC) while they are between the acceptance of the project's Gate 2 Offer and that project's User Progression Milestone 1: Initiated Statutory Consents and Planning Permission. If a project, then terminates or is terminated prior to successfully demonstrating achievement of Milestone 1 they will be required to pay the applicable PCF. If a project passes Milestone 1, then that project's liability to pay the PCF or securitise against it, falls away. The PCF for projects where the M1 date is less than six months from the latter of either (i) the PCF activation date or (ii) the date of Gate 2 Offer counter-signature by NESO, will be £0.

- WACM1: This Alternative solution reduces the magnitude of the Progression Commitment Fee (PCF) by a factor of 10 and introduces an initial period of up to six months where the PCF is £0/MW. After this initial grace period, a project's PCF will increase at a rate of £250/MW (rather than £2,500/MW) up to a maximum cap of £1,000/MW (rather than £10,000/MW). The Alternative would not change the "Activation metric" or "Activation threshold" set out in the Original solution.
- WACM2: This Alternative solution would introduce a discount of 75% if a User self-terminates, as opposed to being terminated by NESO or the Distribution Network Operator (DNO) upon failing to meet Milestone 1. In order to receive the discount, the User must notify NESO or the relevant DNO of the intent to self-terminate at least 90 days prior to the Milestone 1 date.

12910. JH confirmed that the Workgroup did not reach a consensus on the best option. An equal number (8/23) of Workgroup Members voted for the Original and the Baseline as being the best option.

12911. The Panel agreed that the Terms of Reference have been met and agreed for CMP448 to proceed to Code Administrator Consultation. The Code Administrator Consultation will be published on 10 June 2025, and this will close on 24 June 2025.

3. Governance Route Change: Urgency Request

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

12912. HT delivered a presentation on CMP447, explaining that this modification seeks to adjust the fixed Attributable Works of relevant Generators where CMP447 would

Public

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.

12913. HT requested a title change to the modification proposal, the original modification title was 'Follow on modification to CMP428' and the Panel unanimously agreed this to be changed to 'Removal of designated strategic works from cancellation charges/securitisation'.

12914. The Proposer set out their rationale for Urgency against Ofgem's Urgency criteria (a), which is as follows:

- a) A significant commercial impact on parties, consumers or other stakeholder(s): There are pre-commissioning Generators that are either already posting large securities in relation to their attributable works, which would be much less if this modification were passed, or which will face posting large securities absent this mod, from when Gate 2 offers begin to go out from October. Some of the contracts that already have ASTI/LOTI works included as liabilities (attributable works) are not necessarily large projects (e.g. 30MW BELLAs) and the ASTI/LOTI works add a lot to what they have to securitise. Some of the Generators already having to post excessive securities have told NESO they may cancel as these securities are so high, when (if you accept the logic of CMP447) they shouldn't be, and won't if it is passed. There is no deadline to this in each instance, it is an ongoing possibility; it could impede our ability to achieve CP30 having projects cancel for this reason due to slow progress of CMP447. The above two paragraphs also explain why the mod relates to something "imminent" – on the high priority timeline, the mod could not be determined by Ofgem until after Gate 2 offers; it is not fast enough.

12915. The Panel considered the request for urgency with reference to Ofgem's urgency criteria and unanimously agreed that CMP447 met the Authority's Urgency criteria (a) and therefore recommended urgent treatment. Panel Members set out their rationale behind this decision which is as follows:

- A view of a Panel Member was that this modification satisfies the criteria to seek urgency. It has now been identified to have a significant commercial impact to Users. From the very outset of the modification being raised, it was clear that the

Public

defect would have a commercial impact on Users, however there was no evidence provided to quantify how much (perhaps likely due to commercial sensitivity of providing this information). Since early May 2025 there has been further evidence provided by impacted CUSC parties to both NESO and Ofgem who are able to quantify this commercial impact. It therefore seems reasonable that, in light of this new information, an urgent timescale is sought.

- A Panel Member believed that the criteria for urgency is met as there is clearly a significant commercial impact on connecting Generators. In addition, the context has changed with the approval of CMP434 and CMP435, so clarity must be available to Generators prior to decisions on Gate 2 offers.
- A view of another Panel Member was that based on the comments contained in some of the Authority's recent urgency decision letters, in terms of other proposals that have been seeking urgency, it is a 'fine line' judgement as to whether CMP447, in terms of urgency, is referencing an imminent issue that could not reasonably have been known ahead of this request for urgency.
- One Panel Member stated that there is at least a £40m commercial impact from this modification, which is significant – this number coming from just four parties who have provided specific (albeit confidential) information to NESO on the reduction they would see to their securities, were CMP447 to be approved before March 2026. There are several other parties who have stated that they also have high securities which would be reduced by this modification, but have not provided specific numbers to NESO, so are not included in the high-level £40m figure. Several parties have also shared that investment decisions on whether to accept Connections Reform offers depend on having a decision on CMP447 by the end of the calendar year.
- The same Panel Member addressed the question of "why is NESO choosing to raise this urgency request now?": NESO's view has always been that the priority of CMP447 should be based on when parties would start to see large liabilities, and associated securities, for relevant works that CMP447 would remove. It has only been in the last month that industry parties have approached NESO with specific information highlighting the more immediate commercial impacts if CMP447 isn't implemented earlier than the current timeline, and on that basis, we are now raising this urgency request. NESO did not have this information earlier, so were not in a position to request urgency until now.
- A Panel Member stated that NESO agreed to freeze security payments and recalculation of cancellation charges in October 2024, and this is expected to last. There are precommissioning Generators that are either already posting large

Public

securities in relation to their attributable works, which would be much less if this modification were passed, or which will face posting large securities when securities and liabilities are unfrozen by NESO in March 2026, or when Gate 2 offers start to be issued from October 2025.

- The same Panel Member stated that it has become clear in recent months that some of the Generators are already having to post excessive securities and have told NESO they may terminate viable projects as these securities are so high (many millions), when (if you accept the proposed solution for CMP447) they shouldn't be, and won't if CMP447 is approved. The decision by NESO to freeze securities has provided a window of opportunity to solve this defect, and therefore, it is vital the CUSC modification is implemented. Due to the high workload across other prioritised CUSC modifications, the deadline for CMP447 has been pushed back, and it has recently become clear that a decision would not be made before NESO unfreeze securities and liabilities; the high priority status given to CMP447 by the CUSC Panel is no longer sufficient. Connection Reform was implemented on 15th April, and the timeline for the issuing of Gate 2 offers has become clearer in the last 2 months. The Panel Member believes the benefit of CMP447 will be the highest if it is implemented before Gate 2 offers are issued so that certainty is provided to customers in advance of securities being unfrozen in March 2026, this is only achievable if CMP447 is granted urgency

12916. The CUSC Panel's recommendation was sent on 09 June 2025 seeking an Authority decision by 5pm on 13 June 2025. **(Post meeting note: The Authority granted urgency for CMP447 on 12 June 2025).**

3. Any Other Business (AOB)

12917. The Panel had no AOB to discuss.

4. Close

12918. The Chair thanked the Panel for their time and contributions and brought the meeting to a close.

The next CUSC Panel meeting will be held on 27 June via Microsoft Teams.