

Public

# Special CUSC Panel

Thursday 14 August 2025

Online Meeting via Teams



Public

# WELCOME



## Purpose of Panel & Duties of Panel Members

The **Panel** shall be the standing body to carry out the **functions** referred to in CUSC – Section 8 CUSC Modification (8.3.3)

The **Panel** shall endeavour at all time to operate:

- In an **efficient, economical and expeditious manner**, taking account of the complexity, importance and urgency of particular CUSC Modification Proposals; and
- With a view to ensuring that the CUSC facilitates **achievement of the Applicable CUSC Objectives**.

### Duties of Panel Members & Alternates (8.3.4)

1. Shall act **impartially** and in accordance with the requirements of the **CUSC**; and
2. Shall not have any **conflicts of interest**.

Shall not be representative of, and shall act without undue regard to the particular interests of the persons or body of persons by whom he/she was appointed as Panel Member and any Related Person from time to time.

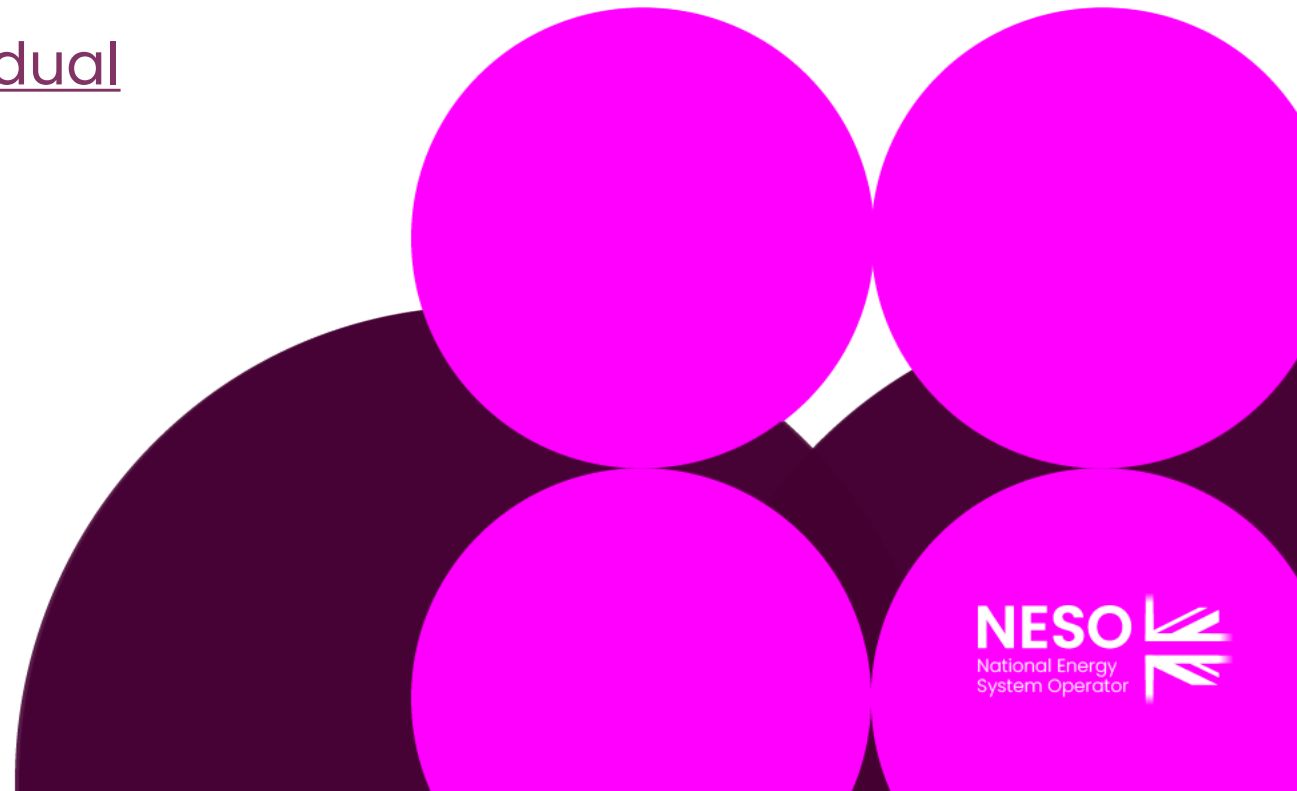
## New Modifications

- CMP458: Prorating of transmission residual demand charges
- CMP459: Charging TNUoS on a monthly basis

# New Modification

CMP458: Prorating of transmission residual demand charges

Alistair Collins, J G Pears



# CMP458 Critical Friend Feedback

Code Administrator comments	Amendments made by the Proposer
<ul style="list-style-type: none"><li>- Formatting and typographical errors</li><li>- Confirmed Governance route and Urgency justification</li><li>- Confirm the correct CUSC Applicable Objectives had been assessed</li></ul>	<ul style="list-style-type: none"><li>- Provided the modification overview</li><li>- Assessed against the correct CUSC Applicable Objectives</li><li>- Agreed to suggested changes</li></ul>

# INTRODUCING JG PEARS

[JGPears.com](https://JGPears.com)

**JGP**  
Group

A JGP Group Company **JGP**

# INTRODUCTION

One of the UK's leading processors of animal by-products and food waste since 1972.

Collecting from across the UK, we take material that would otherwise require incineration or go into landfill and turn it into sustainable high-quality products.

Across the Newark site, we operate under a net zero carbon footprint, due to our CHP plant.

HyMarnham Power, a joint venture between hydrogen pioneer GeoPura and sustainable waste processing leader JG Pears, is developing the production, storage, and transportation of low carbon hydrogen.

With a total initial investment of £50 million, the project is critical to the developing the UK's hydrogen economy.



## CONTENTS

1. Introduction.....	2
2. CMP458.....	3
3. CUSC Defect.....	4
4. Solution.....	5
5. Issues.....	6
6. Urgency.....	7



# CMP458: Prorating of transmission residual demand charges

## CONTENTS

# The CUSC Defect

When a customer commissions onto the total system it is required to pay Transmission Residual Demand charges for a whole year

This means that a large customer on the system for 1 day could be liable for up to c£12m in charges for that 1 day

The customer's competitors in their own market may have paid that charge, but spread over the whole year

In other markets the customers cannot charge their customers when they are not connected or using facilities, it is therefore wrong that electricity customers get charged in this manner – you are not charged rent until you move into a flat

The charging is therefore no cost reflective and detrimental to competition

# The Solution



CMP458 would see the customer only liable for the demand charges for the days they are using the total system in the first year they commission

It would also apply to sites that were generation and that become demand part way through the year

For sites that flip from production to consumption, they have already paid generation charges for the year, so they in effect get double charged for the same assets by flipping

The charges for the year are already calculated as a daily charge and the charges would be calculated as a daily charges for the whole year and then only be levied on a new customer site from the point they commission or flip

The new regime would be implemented from April 2025, so impacts all demand new or flipping this year

## CONTENTS

# Issues

This charging proposal is only for the first year of operation – JGP is not proposing that a site that is connected but does not consumer power for c6 months does not pay for the year

JGP also notes this is a significant issue for the types of sites HMG is looking to promote under its Industrial Strategy – where the scale of the charges may delay their commissioning due to the impact on their competitive position in their own markets

Hydrogen is classed as EII, but we have to wait for 3 months to apply and as a new process we cannot guarantee a discount this year

Encouraging customers to connect when they are ready will increase the charging base for that year and therefore spread TO costs over more customers sooner not later

**CONTENTS**



# Urgency

The scale of the TNUoS bill for part of a year is making commissioning one of the UK's first hydrogen production facilities this year uneconomic

If we do not commission this year we hold up a HAR1 project, funded by tax payers

HAR1 is critical in the path to Clean Power 30 – not commissioning adds to the risk of not delivering Government policy

We are also seeking retrospection, as commissioning at the start of the year has moved to the middle of the year – outside our control - almost the worst of all worlds for an electricity bill perspective

**CONTENTS**

Our site is unique, but other customers will hit this problem and as few are energy experts they will also not be aware the charge is for a whole year even if connected for 1 day

Given the very significant commercial impact on our hydrogen plant, which we could not have reasonably foreseen, we believe that this proposal meets Ofgem's urgency criteria.

## Proposer's Justification vs Ofgem's Urgency Criteria

The Proposer recommends that this modification should be treated as an Urgent Modification proposal and be assessed by a Workgroup.

Ofgem's Urgency Criteria	Proposer's Justification
<p>a) A significant commercial impact on parties, consumers or other stakeholder(s).</p>	<p>The Proposer believes that this is a simple change to the way the Demand Residual is billed will have limited impact on other system Users. However, it has a significant commercial impact on some sites and could result in them delaying commissioning. In this case, it could result in a delay to bringing forward one of the UK's first hydrogen projects, which is backed by UK taxpayers.</p> <p>The site had expected to be able to commission in early 2025 so the cost of transmission would have been spread over the charging year. However, the electrolyser provider then went into administration, and the Proposer did not know how long it would take to find a new provider and install the equipment. The Proposer now has the opportunity to start production this year, with the aim being to commission in October, meaning that the site will flip from generation to demand. The amount of the residual charge the Proposer will therefore have to pay is now a significant commercial consideration when considering whether to take the go or no go commissioning decision. If the Proposer commissions late this year, the Proposer will be producing hydrogen for only a matter of a few months but paying a whole year of demand charges. This is despite also paying generation charges for the year.</p> <p>While hydrogen is an EII industry, companies cannot apply to be an EII until it has three months of auditable data. As this is a first of its kind project, the Proposer does not know if they will achieve EII status in this electricity charging year. However, to commission, under the HARI scheme, the Proposer is required to try to hit full output, with significant demand resulting. Without an urgent, retrospective change to the CUSC, the Proposer may have to delay commissioning this Government backed project, instead of bringing it forward as quickly as they can, as the Proposer has been given the chance to do by the equipment providers. This will be to the detriment of the GB hydrogen strategy, its Clean Power 2030 Action Plan (CP30) targets and industrial strategy. The Proposer can see no benefit for anyone in delaying commissioning, but the charging regime is making it uneconomic. While the Proposer is aware that they are in quite a unique position, the Proposer has nonetheless only recently become aware of the financial implications on them from commissioning mid-electricity year.</p> <p>Given the very significant commercial impact on the Proposer hydrogen plant, which they could not have reasonably foreseen, the Proposer believes that this proposal meets Ofgem's urgency criteria. The Proposer appreciates that retrospection will require NESO to adjust the bills of all new connecting sites for the year 2025. NESO will know which these sites are from when they started to bill them.</p>

# CMP458 and CMP459 Proposed Timeline

Milestone	Date	Milestone	Date
Modification presented to Panel	14 August 2025 (Special Panel)	Code Administrator Consultation	03 October 2025 – 07 October 2025
Workgroup Nominations (5 Business Days)	14 August 2025 to 21 August 2025	Draft Final Modification Report (DFMR) issued to Panel (5 Business Days)	09 October 2025
Ofgem grant Urgency	21 August 2025	Panel undertake DFMR recommendation vote	15 October 2025
Workgroup 1 – Introduction Workgroup 2 – Action updates and Workgroup discussion / legal text review Workgroup 3 – Finalise Workgroup consultation	27 August 2025 01 September 2025 04 September 2025	Final Modification Report issued to Panel to check votes recorded correctly	15 October 2025
Workgroup Consultation (3 Business Days)	09 September 2025 – 12 September 2025	Final Modification Report issued to Ofgem	15 October 2025
Workgroup 4 – Workgroup consultation discussion / Finalise solution, legal text and workgroup report Workgroup 5 – Finalise solution, legal text and workgroup report / Workgroup Vote	18 September 2025 23 September 2025	Ofgem decision	31 October 2025
Workgroup report issued to Panel	30 September 2025	Implementation Date	01 April 2026
Panel sign off that Workgroup Report has met its Terms of Reference	03 October 2025		

# CMP458 Asks of Panel

- **AGREE** that this Modification has a clearly defined defect and scope
- **AGREE** that this Modification should proceed to Workgroup
- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **VOTE** whether or not to recommend Urgency
- **AGREE** timetable for Urgency
- **AGREE** Workgroup Terms of Reference
- **NOTE** next steps:
  - Under CUSC Section 8.24.4, we will now consult the Authority as to whether this Modification is an Urgent CUSC Modification Proposal
    - Letter to be sent to Ofgem 14 August 2025
    - Ofgem approval of Urgent treatment sought by 5pm on 21 August 2025
    - 1st Workgroup to be held 27 August 2025



# New Modification

CMP459: Charging TNUoS on a monthly basis

Richard Buckland, Brockwell Energy

# CMP459 Critical Friend Feedback

Code Administrator comments	Amendments made by the Proposer
<ul style="list-style-type: none"><li>- Formatting and typographical errors</li><li>- Confirmed Governance route and Urgency justification</li><li>- Confirm the correct CUSC Applicable Objectives had been assessed</li><li>- Provided feedback on similarities in scope to CMP445</li></ul>	<ul style="list-style-type: none"><li>- Provided the modification overview</li><li>- Assessed against the correct CUSC Applicable Objectives</li><li>- Agreed to suggested changes</li><li>- Provided clarity on scope</li></ul>



# **CMP459**

**Charging TNUoS on a monthly basis**

- **14 August 2025**

# Context

- Brockwell energy were offered, and accepted a 212MW connection, due in April 2024
- Capacity has been delayed to January, 2025, July 2025, October 2025, and now (likely) January 2026
- A first-stage connection of 79MW has been provided, originally anticipated to be short-term, now looks likely to be the capacity for 9 months.
- Delay in capacity costs millions in terms of energy sales and contractor costs
- Delay in capacity costs millions in terms of TNUoS charging

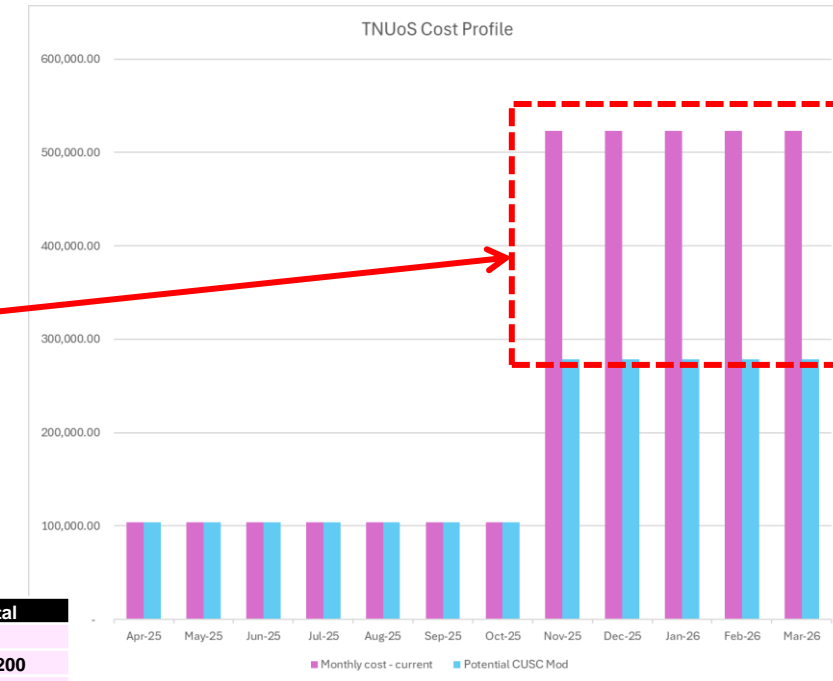


# Context

## TNUoS Cost Profile

- TNUoS costs are currently £104k/mo (being billed at £113/mo to catch-up, as no invoice in April).
- This is expected to step-up to £523k/mo in Nov-25 once TEC increases to 212MW to make up our annual charge of £3,343k.
- We will pay 12 months of TNUoS charges at 212MW, when we only have the benefit of a 212MW export capacity for 5 months. Calculated on a pro-rata basis, the annual charge would be £2,120k – a **£1.2m difference**.
- Note, this will only be exacerbated with the further, expected delays.

Month	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Total
TEC	79	79	79	79	79	79	79	212	212	212	212	212	
Monthly cost – current (£)	103,818	103,818	103,818	103,818	103,818	103,818	103,818	523,295	523,295	523,295	523,295	523,295	3,343,200
Potential CUSC Mod (£)	103,818	103,818	103,818	103,818	103,818	103,818	103,818	278,600	278,600	278,600	278,600	278,600	2,119,726



# The Defect

- Annual charges for generators increasing capacity within a year are discriminatory and not cost-reflective
- CMP445 is an existing proposal that seeks to allow pro-rating of charges when a generator first connects
- That does not address generators who are already connected, or connect via staged-connections
- CMP445 would not address the issues raised by CMP459

# The Proposal

- TNUoS is currently charged on an annual basis, based on the highest TEC during the year
- The proposal is to charge TNUoS based on monthly, not annual, TEC
- Results in charges closer to costs
- Generators should not be charged for a system that they are not using
- Retrospection requested due to significant commercial impact (CMP425 was retrospective)

# Request for Urgency

- TNUoS charging based on highest TEC at any time during a year will cost over £1.2m (on top of lost sales revenue)
- Clearly, a “significant commercial impact”
- Ofgem has rejected 2 previous urgency requests (CMP445, CMP452)
  - “the practice of generators being required to pay a full year’s value of TNUoS charges irrespective of their date of connection within that year is well established and eminently predictable”
- Urgency is not due to operation of TNUoS, but rather failure of Transmission Operator repeatedly to connect



# Proposer's Justification vs Ofgem's Urgency Criteria

The Proposer recommends that this modification should be treated as an Urgent Modification proposal and be assessed by a Workgroup.

Ofgem's Urgency Criteria	Proposer's Justification
a) A significant commercial impact on parties, consumers or other stakeholder(s).	The 212MW connection was originally to be delivered in April 2024. This has now turned into a constrained 79MW (which is operational) with 212MW now about to be delayed for the third time, to January 2026. The impact will be many millions of pounds. As such, the Proposer considers there is a "Significant Commercial Impact" as such meets the criteria set out by Ofgem. It is noted the comments by Ofgem in rejecting the urgency request for CMP445 and CMP452 that, in the view of Ofgem, the requirement to pay TNUoS based on the highest TEC during a year is well established and predictable. The Proposer does not disagree. However, the commercial impact is not introduced by the TNUoS charging regime. Rather it is the multiple failures of the Transmission Operators to deliver capacity that is the source of the "Significant Commercial Impact". This could not, and was not, foreseen.
b) A significant impact on the safety and security of the electricity and/or gas systems.	n/a
c) A party to be in breach of any relevant legal requirements	n/a

# CMP459 Proposed Timeline

Milestone	Date	Milestone	Date
Modification presented to Panel	14 August 2025 (Special Panel)	Code Administrator Consultation	03 October 2025 – 07 October 2025
Workgroup Nominations (5 Business Days)	14 August 2025 to 21 August 2025	Draft Final Modification Report (DFMR) issued to Panel (5 Business Days)	09 October 2025
Ofgem grant Urgency	21 August 2025	Panel undertake DFMR recommendation vote	15 October 2025
Workgroup 1 – Introduction Workgroup 2 – Action updates and Workgroup discussion / legal text review Workgroup 3 – Finalise Workgroup consultation	27 August 2025 01 September 2025 04 September 2025	Final Modification Report issued to Panel to check votes recorded correctly	15 October 2025
Workgroup Consultation (3 Business Days)	09 September 2025 – 12 September 2025	Final Modification Report issued to Ofgem	15 October 2025
Workgroup 4 – Workgroup consultation discussion / Finalise solution, legal text and workgroup report Workgroup 5 – Finalise solution, legal text and workgroup report / Workgroup Vote	18 September 2025 23 September 2025	Ofgem decision	31 October 2025
Workgroup report issued to Panel	30 September 2025	Implementation Date	01 April 2026
Panel sign off that Workgroup Report has met its Terms of Reference	03 October 2025		

# CMP459 Asks of Panel

- **AGREE** that this Modification has a clearly defined defect and scope
- **AGREE** that this Modification should proceed to Workgroup
- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **VOTE** whether or not to recommend Urgency
- **AGREE** timetable for Urgency
- **AGREE** Workgroup Terms of Reference
- **NOTE** next steps:
  - Under CUSC Section 8.24.4, we will now consult the Authority as to whether this Modification is an Urgent CUSC Modification Proposal
    - Letter to be sent to Ofgem 14 August 2025
    - Ofgem approval of Urgent treatment sought by 5pm on 21 August 2025
    - 1st Workgroup to be held 27 August 2025

## Any other business

# Activities ahead of the next Panel Meeting

Modification Proposal Deadline for August Panel	15 August 2025
Papers Day	26 August 2025
Panel Meeting	03 September 2025 Faraday House



# Close

**Claire Huxley**

Acting Independent Chair  
CUSC Panel