Public

CMP417: Extending principles of CUSC Section 15 to all Users

Workgroup 8, 03 September 2025

Online Meeting via Teams

NESO
National Energy System Operator

WELCOME

NESO
National Energy System Operator

Agenda

Topics to be discussed	Lead
Introductions, Objectives and Actions	Chair
Proposer presentation	Proposer
Review Timeline and Terms of Reference	All
AOB & Next Steps	Chair

Expectations of a Workgroup Member

- Contribute to the discussion
- Be respectful of each other's opinions
- Language and Conduct to be consistent with the values of equality and diversity
- Do not share commercially sensitive information
- Be prepared - Review Papers and Reports ahead of meetings
- Complete actions in a timely manner
- Keep to agreed scope
- Email communications to/cc'ing the .box email

Your Roles

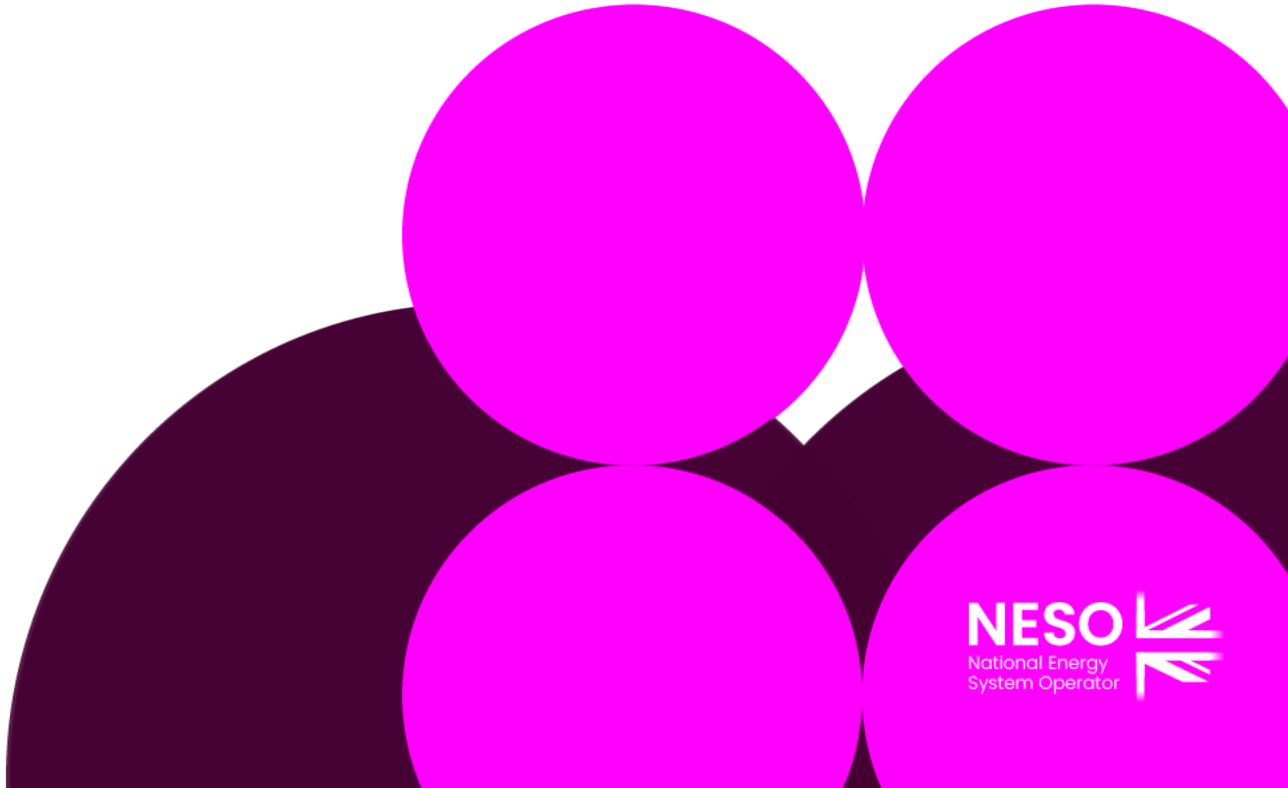
- Help refine/develop the solution(s)
- Bring forward alternatives as early as possible
- Vote on whether or not to proceed with requests for Alternatives
- Vote on whether the solution(s) better facilitate the Code Objectives

Actions Log

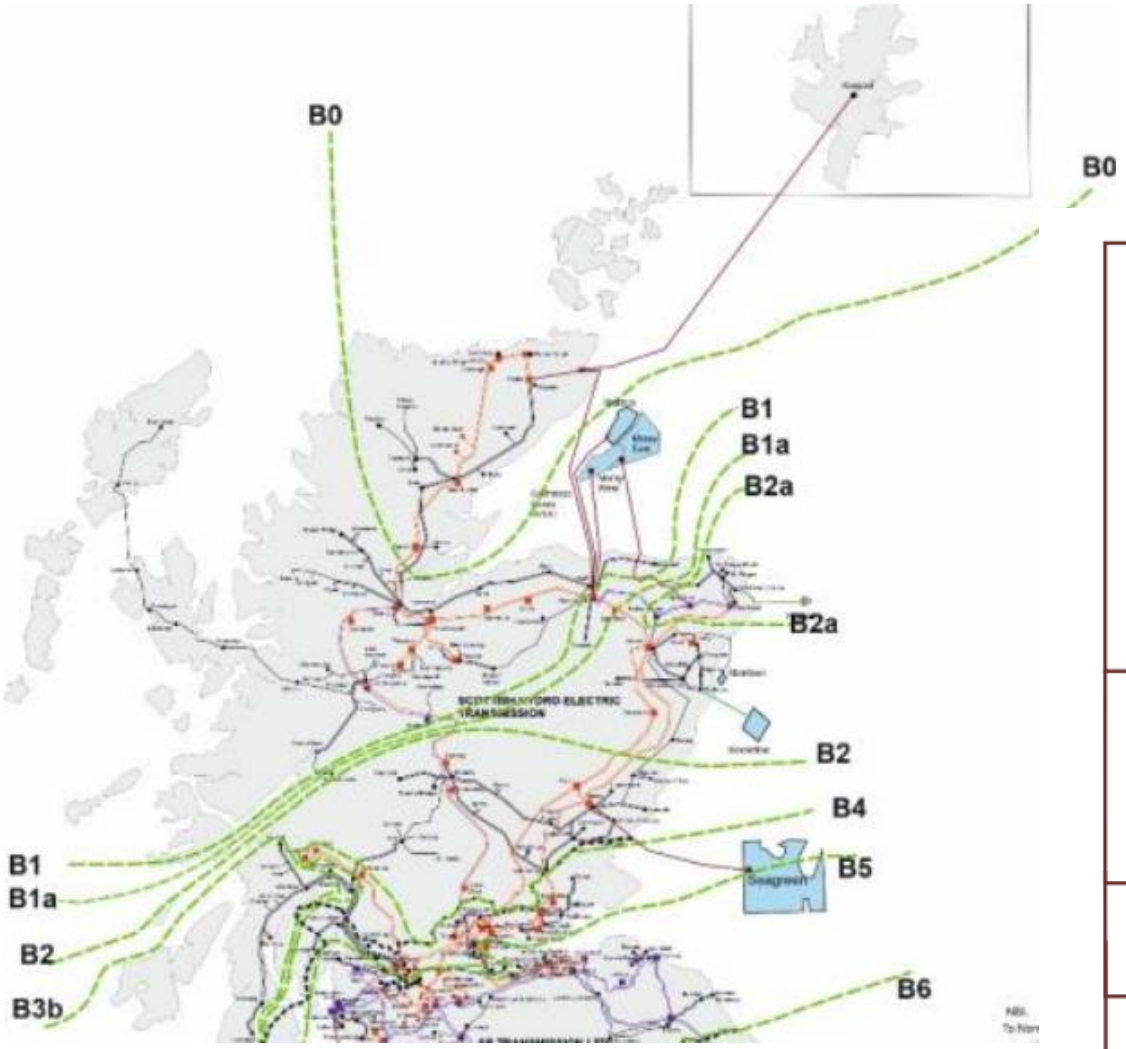
Action Number	Owner	Action	Update	Status
2	SN	Consider which principles of UCM are being transferred and any that aren't, include justifications.	SIF and LARF will continue to apply as proposed. The risk of over securing is acknowledged however. There is already an existing risk of double counting under securities methodologies in general. However, applying CMP192 to demand still significantly reduces the impact of this on customers regardless	Open – propose to close
7	SN/MC	Look into model allocation of capex to investigate whether zonal allocation is cost reflective for both Generation and Demand	Update provided in Workgroup 8 Papers	Open
8	SN/MC	Provide example on wider liability and cancellation charge	Update provided in Workgroup 8 Papers	Open – propose to close
9	SN/MC	Consider in more detail what happens with SIF for Generation, particularly for connection sites and one off works	Update provided in Workgroup 8 Papers	Open
10	SN/MC	Consider and finalise solution for DNOs	Update provided in Workgroup 8 Papers	Open
11	SN/MC	Discuss use of TORIs with TOs and whether this is required in the solution	Update provided in Workgroup 8 Papers	Open – propose to close
12	SN/MC	Provide summary of solution within Workgroup Consultation document		Open

Proposer's Solution

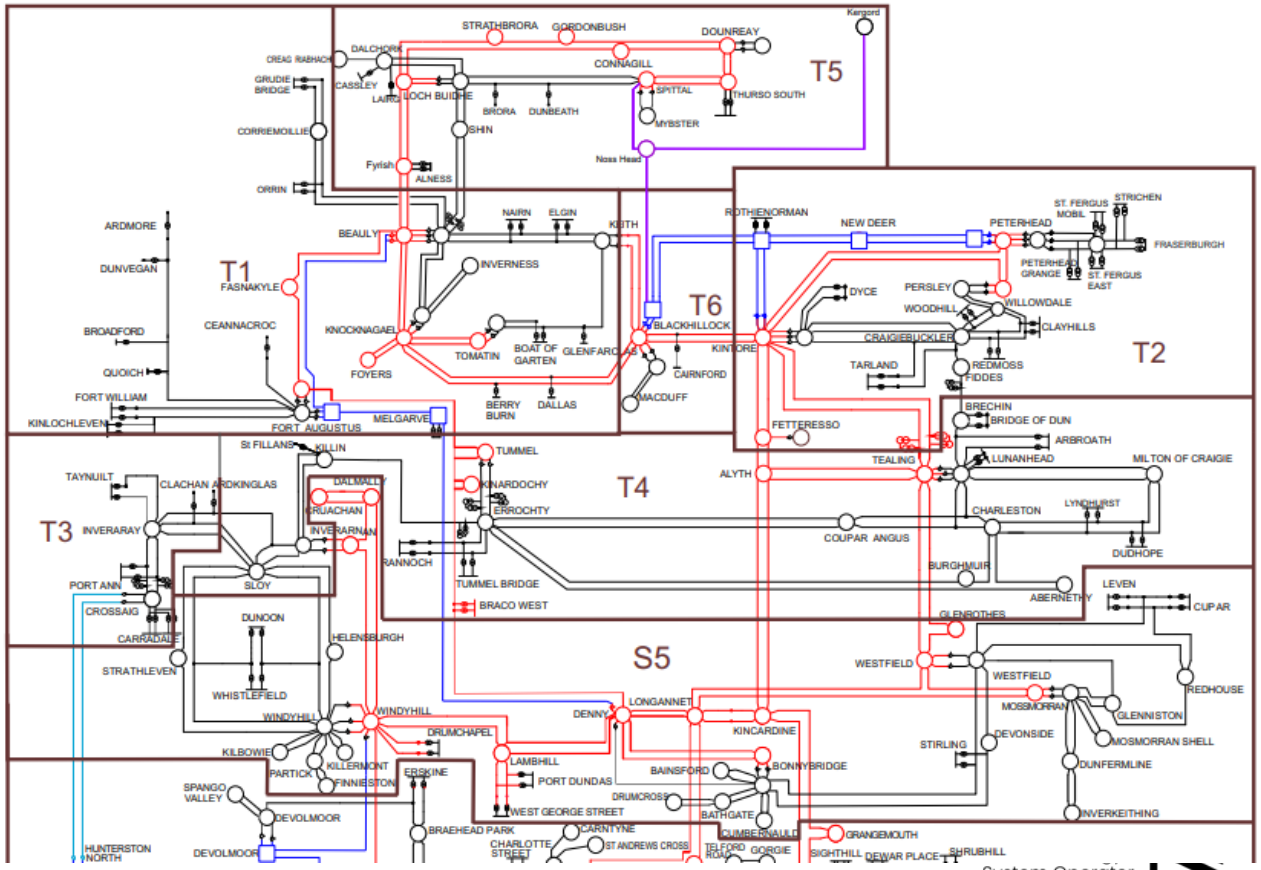
Sean Nugent and Martin Cahill – NESO



Example – Boundaries/Zone



e.g. T5 zone is one side of B0 boundary so this is included in the calculation for this zone



Cost Reflectivity for Wider

- The current approach under CMP192 is an approximation
- The apportionment of the wider charge to each zone is not based on the actual costs in each zone, but takes into account estimates of increases in boundary capability required as well as other factors such as existing capability/boundary length
- No direct relationship used between a generator (or demand site) and it's impact on the wider network

Action 8

Provide example on wider liability and cancellation charge

- The total Wider Liability across all generators currently is:
  Total Load Related and Non Load Related Capex x User Risk Factor x (1-GARF)
- User Risk factor is the share between Generators and Consumers, and GARF (Global Asset Reuse Factor) is the proportion which can be reused
- In theory User Risk Factor assumes that not all wider spend is recovered when projects cancel, and some may need to be collected in the following years TNUoS (through TDR)
- Any spend that actually goes into TDR is overspend when comparing TO actual costs via actual costs recovered.
- User Risk Factor would effectively mean under CMP417 that 50% is liable to generator and demand sites through User Security (as opposed to just generators now).
- Expectation is that demand securities would still reduce, particularly for those that currently have disproportionately high liabilities

Action 9

Consider in more detail what happens with SIF for Generation, particularly for connection sites and one-off works

Over-Securitisation Risk

Applying SIF independently to both generation and demand users sharing an asset can result in a combined SIF greater than 1. This leads to over-securitisation, particularly problematic for one-off works which are bespoke and non-reusable. If a project cancels, the stranded asset cost cannot be spread across other users.

Hybrid Sites

Sites with both generation and demand risk double-counting securities unless it is clearly defined whether shared works are demand or generation driven. Current thinking suggests applying security based on the highest capacity, but this may oversimplify asset usage.

Applicability to Bespoke Assets

Connection assets and one-off works are often bespoke and not shared. Applying SIF to these may not suit proportional cost-sharing. Workgroup 8 raised concerns that SIF may not be appropriate for these types of works and suggested alternative methodologies or exemptions.

Calculation Challenges

For DNO-driven works not linked to a specific customer, determining a MW figure for SIF is complex. Options discussed include using scheme capability or Week 24 data. DNOs submit applications with demand capacity and technical details, which are evaluated by NESO and NGET to determine system capability and required reinforcements.

Proposed Solutions and Considerations

- Cap total SIF at 1 to prevent over-securitisation.
- Retain Final Sums methodology for DNO-only works triggered by demand.
- Clarify treatment of hybrid sites to avoid double-counting and ensure fair allocation.
- Align securities and cancellation charges with generation methodology under CMP192

Action 7

Look into model allocation of capex to investigate whether zonal allocation is cost reflective for both Generation and Demand

Current process to calculate wider liability:

- Start with total capex (all generation and demand capex which is not already included in attributable) across entire network
- Reduce this figure by User Risk Factor and Global Asset Reuse Factor
- Apportion cost to each boundary based on boundary depth and Increase in capability required
- Map boundaries to each generation (ETYS) zone, and then apportion an amount to be collected from each zone
- Divide Zonal cost by total MW connecting in zone to give zonal tariff

Input	Source/Fixed Factor	Description
User Risk Factor	50%	The share of the wider risk between generation and consumers.
Global Asset Reuse Factor	33%	The percentage of the wider transmission assets which a TO could potentially reuse on another project.
Boundary levels	As per latest FES Scenarios / ETYS	Depth of each ETYS boundary multiplied by the increase in required capability on that boundary.
Boundary non-compliance factors	As per latest FES Scenarios / ETYS	Ratio between available capacity and required capability on each boundary.
Generation base	TEC and Interconnector Registers	Current and Future Generation by zone.
Capex data	TO forecasts	TO forecasts of load related and non-load related wider capex

Table 2.1 – Calculation Inputs

Action 10

Consider and finalise solution for DNOs

- For any DNO works which are driven by an embedded customer:
    - DNO will provide NESO with TEC or Demand Capability of the embedded site
- Where the works are not triggered by an embedded customer (e.g. required due to increase in DNO aggregate demand), we believe there are two main options for identifying the Demand Capacity:

1) Demand Capacity is based off the capability of the asset to be installed and the number of customers supplied. So, for example, if a 200MW asset was to be built which supplied 2 DNOs, Demand Capacity for each would be 100MW (or adjusted if required more for one than the other).

2)TO provides an estimate of how much 'additional capability' over current capability is required for the DNO in MW and that is the demand capacity figure to be used. E.g. identified a need to provide 100MW extra capability based on DNO forecasts.

We plan to assess which of these options is the most practical

Action 10 feedback

- Under Option 1, Transmission Owners noted that Section 15 already accommodates shared liabilities for wider works among multiple generation Users. They questioned why Demand capability should be treated differently, especially in areas where generation significantly outstrips demand, making GSP upgrades generation-dependent.

It was highlighted that liabilities should only be passed on where the DNO has contracted for additional capacity—typically via a mod app. This would establish the basis for the Strategic Investment Factor (SIF), ensuring works are enabling and attributable.

- Regarding Option 2, there was uncertainty about why Demand capability wouldn't be User (DNO) defined, as it is for Generation. TOs queried the benefit of departing from a user-defined approach and are seeking further internal comment on this point.

We would welcome workgroup members thoughts and comments.

Action 11

Discuss use of TORIs with TOs and whether this is required in the solution

- TORI is a Transmission Owner Reinforcement Instruction
- These are works required to reinforce the Transmission Network, and will include some attributable works (so some but not all will be included in Attributable Securities/Liability for a Demand connection
- Question in last workgroup was around whether these were needed to be split into Demand and Generation driven works (as we planned to have this information to ensure hybrid sites with generation and demand didn't have duplicate securities
- Feedback we have heard is that
    - For shared works these will generally be driven by Generation
    - It could be confusing how an asset should be assigned if it has initially been triggered by a Generation site which cancels, but is later used by Demand
- Considering this further, we think there is an opportunity to further simplify the process for hybrid sites and simply assign securities to the generation and demand contracts simply by using whichever has the highest MW rating (TEC or Demand Capability).

Action 11 – Example

Discuss use of TORIs with TOs and whether this is required in the solution

E.g. 3 customers requiring an OHL reinforcement-

1 Gen-50MW

1 demand- 50MW

1 hybrid- 20MW Gen

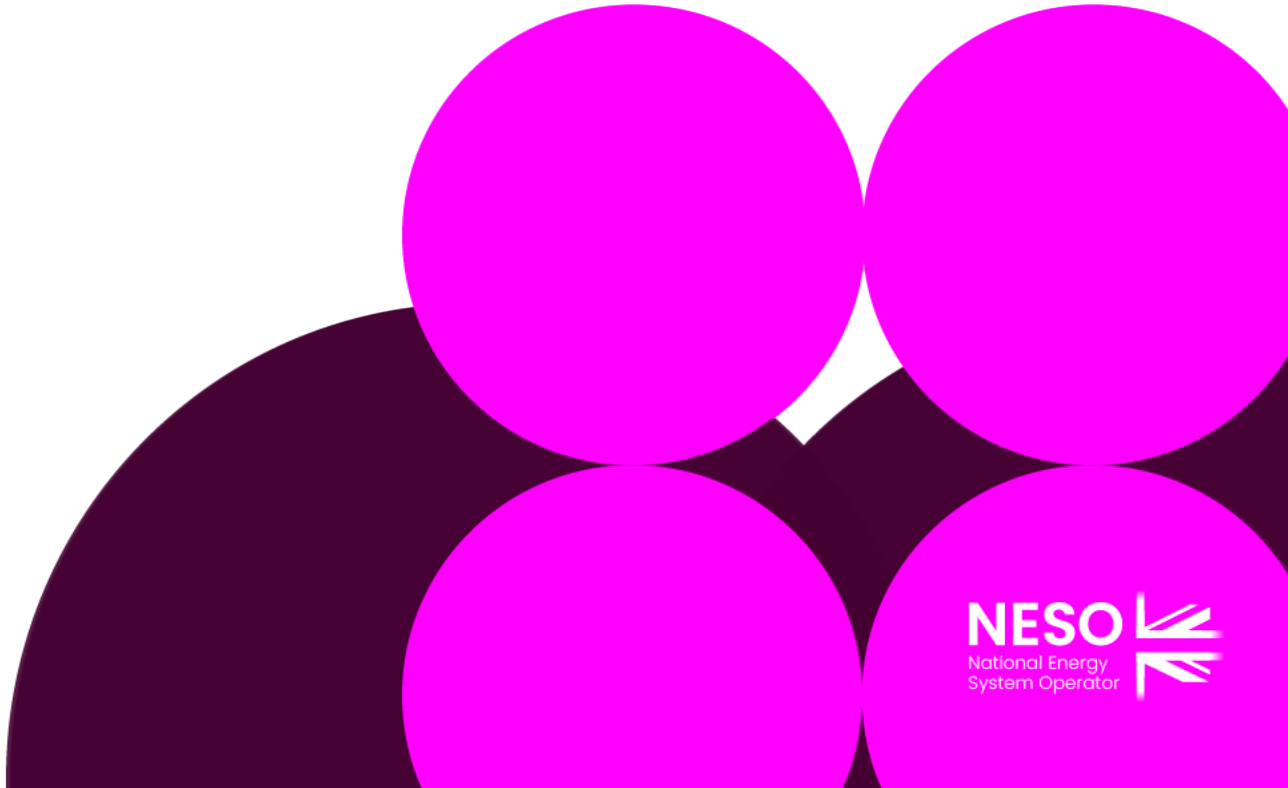
50MW Demand

Under previous proposal (assign works to gen, demand or both), if works had initially been triggered by generation, the hybrid site would only secure against the 20MW Gen

Under alternative approach (assign to highest MW rating), the hybrid site would only secure against the 50MW demand

Review Timeline and Terms of Reference

Lizzie Timmins – NESO Code Administrator



CMP417 Timeline

Milestone	Date
Workgroup 8	**03 September 2025**
Workgroup 9	23 September 2025
Workgroup 10	21 October 2025
Workgroup Consultation (20 Business Days)	28 October 2025 – 18 November 2025
Workgroup 11	04 December 2025
Workgroup 12	13 January 2026
Workgroup 13	19 February 2026
Workgroup Report to Panel	20 March 2026
Panel for ToR sign off	27 March 2026
Code Administrator Consultation (20 Business Days)	02 December 2025 – 02 January 2026
Draft Final Modification Report (DFMR) issued to Panel	14 May 2026
Panel undertake DFMR recommendation vote	22 May 2026
Final Modification Report issued to Panel to check votes recorded correctly	26 May 2026 to 02 June 2026
Final Modification Report issued to Ofgem	03 June 2026
Ofgem decision	TBC
Implementation Date	10 Business Days following Authority Decision

Terms of Reference

Workgroup Terms of Reference
a) Consider EBR implications
b) Consider the transitional arrangements
c) Consider interactions with other codes or code modifications
d) Consider interactions with NESO connections reform recommendations
e) Consider financial consequences to Users
f) Consider cash flow implications on NESO
g) Consider the interaction between Demand and Generation securities

AOB & Next Steps

Lizzie Timmins – NESO Code Administrator