Public

CMP417: Extending principles of CUSC Section 15 to all Users

Workgroup 9, 23 September 2025

Online Meeting via Teams

NESO
National Energy System Operator

WELCOME

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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
9	SN/MC	Consider in more detail what happens with SIF for Generation, particularly for connection sites and one off works Update: Proposer to look into examples which show financial impact at a future workgroup	Still open – discussed on slide 6	Open
10	SN/MC	Consider and finalise solution for DNOs	Keep open – discussed on slide 7	Open
11	SN/MC	Discuss use of TORIs with TOs and whether this is required in the solution Update: Proposer to provide a more detailed example for the next Workgroup.	Propose to close	Open
12	SN/MC	Provide summary of solution within Workgroup Consultation document	Summary today to form basis of workgroup consultation doc	Open

Action 9

We are currently investigating what examples we can share to demonstrate financial impact of CMP417

- Aim is to provide some examples to Workgroup by Workgroup Consultation phase, which can help with providing feedback on this modification
- Examples will be generic to avoid any confidentiality issues
- These will show for some different project sizes what liability could look like under Final Sums and User Commitment
- Note that we do not expect impact of change to be uniform and these will just be to give an idea
- Are there any other areas that workgroup would like us to consider for these?

We also discussed one-off works in Action 9

- Where works are paid for upfront, these will not be included in liability
- Where works are invoiced closer to connection date, these will be included in liability with a SIF and LARF of 100%
- This is the same approach which is used currently for generation

Action 10 – DNO Solution

We are planning to speak to all DNOs through the ENA before making a final decision on the DNO solution, however, our current thoughts are:

- We believe that the right approach is that the Connection Application is where the MW figure that flows through to liability calculations should be provided (demand capability in the application pro-forma). This is then consistent with the approach used for other demand connections
- Demand Capability should reflect the total MW required by a DNO at a GSP. When entering this on the connection application, this should be based on the long-term forecasts as per week 24 data
- As this figure is the DNO's power requirement (not necessarily the capability actually to be installed by the TO), and the contract is with the DNO, it may be most logical for this figure to be provided by the DNO
- TOs will provide data on attributable works associated with the GSP
- When applying in calculations, NESO will use the increase in demand capability (e.g. increase from existing contract to new demand capability)

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Action 11 – Hybrid Example

3 customers requiring an OHL reinforcement-

Generator 50MW TEC	Demand 50MW Demand Capability	Hybrid 20MW TEC 50MW Demand

TOs will provide list of attributable works for each site – in this example all of the OHL reinforcement is applicable to everything listed above, so would be included as attributable works for each.

NESO now remove OHL reinforcement from the Generation security statement to avoid duplication. Demand is chosen to keep the attributable works because the demand capability is higher

This would only come into consideration for hybrid sites because for Generator or Demand sites it would be clear whether a scheme is attributable to them or not

Action 11 – Hybrid Example

- The reason for having this as the solution currently is for simplicity
- Have also considered identifying which works are predominantly Generator or Demand driven and using this to identify where attributable works should be removed, but this could add complexity, especially if other projects cancelling then changes what the driver is
- However, a potential issue we have identified with this approach is when fixing

Action 11 – Hybrid Example

Fixing Issue

Hybrid
20MW TEC
50MW Demand

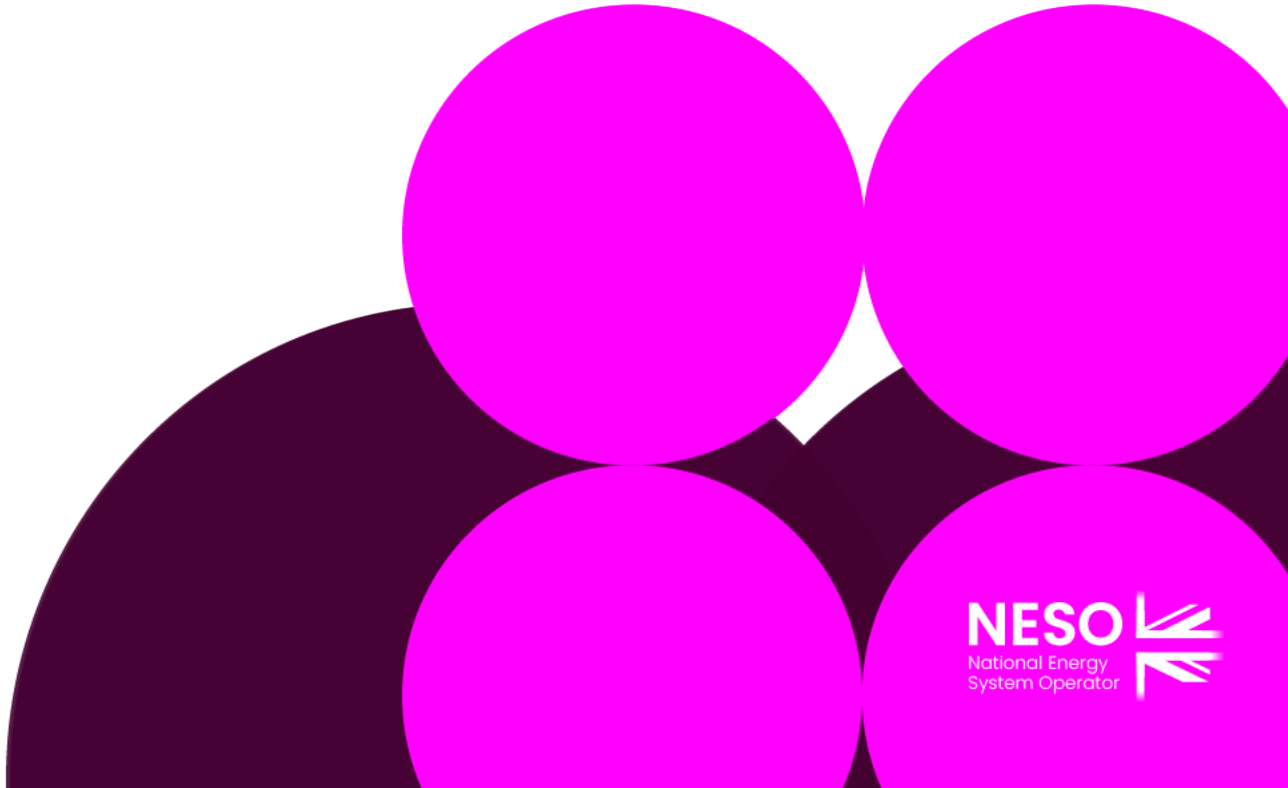
Taking first example – OHL Reinforcement has only been applied to Demand

As with Generator User Security, a Demand site has the ability to fix

If Generation securities are fixed, and demand subsequently cancels, scheme no longer accounted for in future securities, despite having been attributable to Generation

Proposer's Solution

Sean Nugent and Martin Cahill – NESO



CMP417 - Aim

To align the calculation of cancellation liabilities and security for demand with the methodology used for Generation under CUSC section 15 User Commitment. This will reduce demand liability, particularly for those who currently face disproportionately high liabilities when compared with generators of an equivalent size.

- *As discussed in workgroup 8, we are investigating to see if any numerical examples can be shared which show positive impact*

CMP417 – Principles

- Final Sums will no longer be used for new connections. Existing connection applications on Final Sums will be able to transition to new arrangements (which will need to be reflected in individual contracts before liability can be reduced).
- Demand sites will be added to User Commitment (CUSC section 15), where they will have attributable works and secure a portion of wider capex spend.
- A demand capability number in MW is required which reflects the maximum power which is required by the demand site. This will be used instead of TEC (which is used for to calculate generation liabilities). Otherwise, the calculations will be identical.
- Demand Capability will be provided via the connection application for directly connected demand and DNO applications (customer driven and non-customer driven). It should reflect the long term demand requirement at that site. For any existing connection applications which have not already provided us with demand capability – we are assessing how many this is – will need to agree a number.
- Where an already connected demand site modifies an agreement to add additional capability, the liability will be calculated using the increase in capability, not the total capability.
- Demand site that decreases demand capability from what it originally applied for will face a cancellation charge for that reduction, as per User Commitment for generation

Impacted Stakeholders

- Directly Connected Demand – should mostly see reduced cancellation liabilities
- Embedded Demand – don't place security with NESO directly but go through the DNOs
- DNOs – as well as administering securities for embedded connections, DNOs will be liable for any specific works requested

Any of these could be existing connection applications who will have the opportunity to move over to new arrangements, or new connection applications who will immediately be on new arrangements.

Will also apply to any demand site which reduces capacity

Note that Generators may have a lower wider cancellation charge due to the total capex spend being split with demand, though this would not change any calculations in CUSC.

Wider Liability

- Wider Liability is based on a total wider Capex spend provided by TOs, and currently split across Generation Connections with a £/MW tariff
- This will now be split across Generation and Demand
- User Risk Factor wording will require updating

> *Where the **User Risk Factor** is the share of total risk between generation and consumers, set at 0.5.*

- Would result in a lower wider liability for generators (as the total capex to be recovered from wider would remain unchanged)

Process Flow

Application to NESO

New direct demand connection

As part of application, customer is required to provide 'Demand Capability' in MW. This should reflect the maximum power which they require at the Connection Site, and is used to calculate SIF and Wider Liability

Modification to existing agreement

As part of application, customer is required to provide 'Demand Capability' in MW. NESO Liability calculations are based on the increase in Demand Capability required – e.g. if demand capability is increasing from 50MW to 100MW, 50MW is used

Embedded demand site which goes through project progression

DNO provides Demand Capability through modification application on behalf of the embedded customer – this will reflect the maximum power required by the embedded demand site.

DNO driven works

DNO provides Demand Capability as part of Connection Application. This should reflect the required maximum power at the GSP, expected to be based off long term demand forecasts as per week 24 process

Upon signing a new contract or contract variation, customer liable for cancellation charges under CMP417. Security is required to be placed within 30 days.

Proportion of liability required to be secured will be the same as under generator user commitment. If project reduces demand capability before connecting, cancellation charge will be calculated based on MW reduction

Total Cancellation Liability = Attributable Liability + Wider Liability
Attributable Liability = Spend to date (inc 6 month forecast) x (1-LARF) x SIF
LARF is provided by TO
SIF = Demand Capability (from connection application)/Scheme Capability(from TO)
Wider Liability = Demand Capability (from connection application) x £/MW Zonal Demand Tariff x Wider Profile %
Note if there if it is a hybrid site, a check will ensure that no schemes are included in both security statements. If attributable to both, a scheme will only appear in the statement for the plant with the highest MW rating – TEC or Demand Capability

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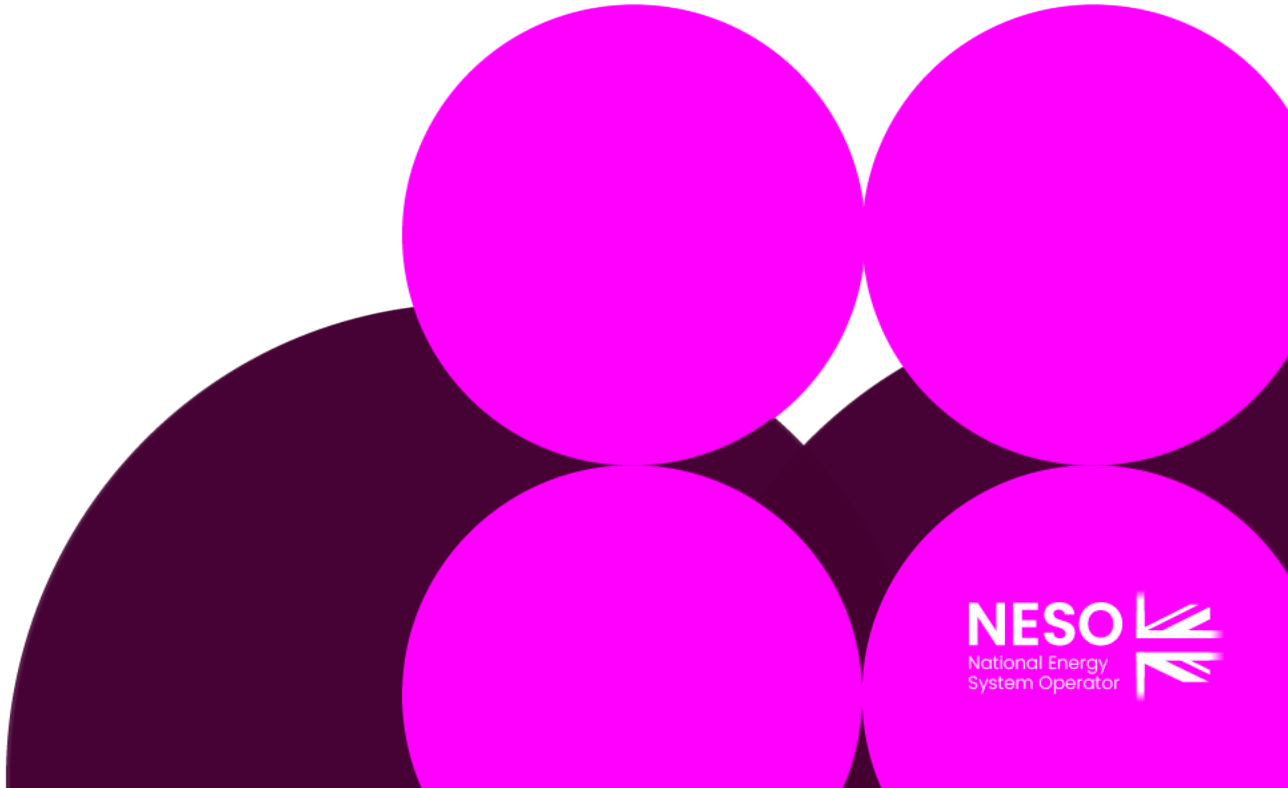
Legal Text Considerations

CUSC section	Considerations
CUSC Section 11 "Interpretation and Definitions"	• User definitions for Transmission and Distribution Connected demand. Section 15 refers to Power Stations and Embedded Power Stations – need an equivalent term for demand • Connection Site Demand Capability exists as a definition, but it isn't necessarily clear that this should be a fixed figure (unless there is a mod-app) or where it is provided. Can either look to update this definition, or just say in section 15 that the demand figure comes from the connection agreement
CUSC Section 15 "User Commitment Methodology", including the creation of a capacity figure for Demand	• Extend current provisions to apply to transmission and distribution connected demand
CUSC Schedule 2, Exhibit 3, Part 1 – Construction Agreement	To extend to apply this to demand: *For use with User's in the categories of (i) Power Stations directly connected to the National Electricity Transmission system, (ii) Embedded Power Stations which are the subject of a Bilateral Embedded Generation Agreement, Interconnectors directly connected to the National Electricity Transmission system or (iv) where, associated with Distributed Generation, a Distribution System directly connected to the National Electricity Transmission System*
CUSC Schedule 2, Exhibit 3, Part 2 - Final Sums Construction Agreement	Refer to implementation stages, remove once no projects remaining on Final Sums?
CUSC Section 10 – Transition Issues	To address the two stages of implementation

Review Timeline and Terms of Reference

Lizzie Timmins – NESO Code Administrator



CMP417 Timeline

Milestone	Date
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