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Workgroup Consultation Response Proforma

CMP447: Removal of designated Strategic Works from cancellation charges/securitisation

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to cusc.team@neso.energy by **5pm** on **04 August 2025**.

Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact sarah.williams@neso.energy or cusc.team@neso.energy

| Respondent details | Please enter your details | |
|--|---|---|
| Respondent name: | Holly Thomas | |
| Company name: | Scottish Renewables | |
| Email address: | hthomas@scottishrenewables.com | |
| Phone number: | 07863 248902 | |
| Which best describes your organisation? | <input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input checked="" type="checkbox"/> Industry body <input type="checkbox"/> Interconnector | <input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other |

I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

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☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Workgroup, Panel or the industry for further consideration)

For reference the Applicable CUSC (non-charging) Objectives are:

- i. The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;
- ii. 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;
- iii. Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and
- iv. Promoting efficiency in the implementation and administration of the CUSC arrangements.

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective (iii) 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.

For reference, the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- a) fostering effective competition, non-discrimination and transparency in balancing markets;
- b) enhancing efficiency of balancing as well as efficiency of national balancing markets;
- c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;

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- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions

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| 1 | Do you believe that the Original Proposal | Mark the Objectives which you believe the Original solution better facilitates than the current baseline: |
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| | better facilitates the Applicable Objectives versus the current baseline? | | | | | |
| | | Original | <input checked="" type="checkbox"/> i | <input checked="" type="checkbox"/> ii | <input type="checkbox"/> iii | <input type="checkbox"/> iv <input type="checkbox"/> None |
| | | <p>Scottish Renewables and its members find the Original solution to better facilitate both the first and second Objectives of greater efficiency and effective competition.</p> <p>The primary intent of the modification to remove redundant securitisation inherently improves competition by enabling a more sensible apportionment of risk between Generators and Transmission Operators (TOs). The absence of an additional financial burden encourages more Generators of varying size and financial flexibility into the market, as well as better safeguarding of all existing projects and their ability to progress investment and delivery for meeting imminent climate targets.</p> <p>A somewhat secondary but substantive benefit of the modification is its facilitation of a more efficient process for the issuing of securities. At present, Generators can spend significant time querying and disputing Attributable Works wrongly included in their agreements. By rationalising the initial allocation of securities to better align with the logic of strategic works providing wider system benefit, the potential for lengthy dispute processes is lessened.</p> <p>However, the objectives of efficiency and competition could be further enhanced to realise a much greater impact from the modification than is currently drafted. As was the central topic of discussion in the working groups, the lack of certainty around works that would be Excepted is currently undermining the potential impact of the modification. Please see our responses to questions 2 and 5 for a more detailed explanation of these points.</p> | | | | |

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| 2 | Do you support the proposed implementation approach? | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We generally support the proposed implementation approach and the strong impetus to align with the issuing of new Gate 2 offers in the late autumn.</p> <p>However, we require further clarity on the timescales of the approach to cement investor confidence in the process and inform the development of necessary provisions if timescales are delayed beyond the issuing of Gate 2 offers.</p> <p>At present, the timescale for implementation indicates '10 Business Days' after Ofgem's decision is to be made, which will be possible from October 15 if working groups adjourn on time. So, theoretically, implementation could be before the end of October if Ofgem is swift in its decision-making.</p> <p>What is currently not clear is if additional time will be required post the 10-day period after authority decision for the separate process of NESO and the TOs determining which works are to be Excepted and subsequently enacting the revisions to impacted security profiles and contracts. If Ofgem's decision is not accompanied by a comprehensive list of works, Generators need to be informed of additional processing time if it risks material implementation of the modification extending into the latter part of the issuing of new offers. In this case, parties could be impacted that would need to submit a modification application to modify their securities, contingent on there being an additional application window before the end of the year, to avoid the April 2026 trigger date and/or make critical decisions on accepting offers.</p> |
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| | | <p>Scottish Renewables encourages the relevant parties (NESO/TOs/Ofgem) to provide the utmost clarity on timescales here, with the recommendation to produce a list of Excepted works at the earliest opportunity.</p> <p>If the actual implementation of the modification, i.e., securities being removed from agreements, is at risk of not being implemented in time for the issuing of new Gate 2 offers, provisions need to be developed to safeguard Generators and provide certainty in the interim. For example, if there is a delay between Ofgem's decision and NESO/TOs' removal of securities in offers, Generators that typically have three months to accept Gate 2 offers need to be protected. There needs to be the ability to reissue securities within that period to update offers and clock-start the three months from the point of the update, and/or there should be no time limit to accept for projects that are in scope of the modification's impact if the modification is in train/has been approved by Ofgem. The utmost visibility of forthcoming impacts is vital for ensuring offers are protected and Generators can make the most informed investment decisions.</p> <p>Our preference is for the material benefits of the modification to be realised at the end of the ten days following Ofgem's decision. Clarity around this as a possibility would be welcomed.</p> <p>Please see our answer to question 11 for further details on why this modification needs to align with Gate 2.</p> |
| 3 | Do you have any other comments? | No. |
| 4 | Do you wish to raise a Workgroup | <input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section) |

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| | Consultation Alternative Request for the Workgroup to consider? | <input checked="" type="checkbox"/> No |
| | | Click or tap here to enter text. |
| 5 | Does the draft legal text satisfy the intent of the modification? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | | <p>CMP447 is intended to address both strategic works which have been approved under the existing RII0-ET2 price control framework and future works which are required for CP30 and beyond. While we recognise the challenges faced in defining works that are yet unknown, for the modification to have any real impact on Generator certainty and unlock key investment as is its intention, the legal text must be more specific.</p> <p>Discussions in the modification's working group revealed NESO's reluctance to tie the modification to specific schemes, either past or future, due to the risk of name changes, which we are aware is expected for some schemes. However, CMP428 and other CUSC documentation frequently refer to specific schemes that have been published by the regulatory body, including the Holistic Network Design (HND), as directly referenced in the legal text of CMP428. Thus, we think that the exclusion of specific, existing terms such as Large Onshore Transmission Investment (LOTI) and Accelerated Strategic Transmission Investment (ASTI) for this naming reason cannot be justified. We argue that these names could be future-proofed with legal text that encompasses these works in their current form and any future naming convention they might assume.</p> <p>Assuring a more direct link to the designation of specific, strategic projects strengthens the modification</p> |

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| | <p>by rendering it fully transparent, disclosable and, critically, interpretable by the full community of investors and Generators. At present, the definition is weak and restricts the modification by blanketing its impact in obscurity. Scottish Renewables' position is that the modification should be linked to the strategic nature of the process, as would be the case for existing schemes, including LOTI/ASTI that are already funded, regardless of their evolution of naming. While part of Ofgem's reasoning for rejecting CM094 was due to works' 'Needs Case' taking time, focusing the modification instead on works that are being developed for the wider system benefit avoids relying on the process of third-party designation with unknown timescales.</p> <p>With the new Connections Reform process, Generators will be required to meet much higher standards and evidence greater investment to secure a Gate 2 offer. A considerable proportion of work on projects will now have to be undertaken pre-application, i.e., at risk. So any additional information that can be given on the expected process post-offer is of great value to incentivising investment. At Generators' disposal currently on the state of network works are the Transmission Works Register (TWR), Connections 360 and communication from the network operators, which are, however, known not to be as accurate and up to date as is necessary to inform efficient decision-making. Some indication of the makeup of a project's securities statements would help Generators in getting greater transparency on their project pipeline and de-risking investment decisions.</p> <p>If NESO is hesitant to expand the scope of the legal text, we urge the supporting CMP192 text to be tightened for</p> |
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| | <p>specific mechanisms. At present, the drafting cites ‘it is thought likely that it would take account of works such as ASTI and LOTI schemes’, which does not provide the level of certainty Generators need to support continued investment. We encourage the proposer, NESO, to redraft to explicitly include ASTI and LOTI schemes under this modification and wording that retains their inclusion regardless of any future evolution of naming convention. At present, the guidance note is high-level on the scope and process, whereas it should provide as close to water-tight specificity as possible, for the scope as well as the application process.</p> <p>The consideration for future, unnamed schemes is more challenging in terms of specificity, hence again the relevance to tie the modification to the strategic nature of works. The CMP428 <u>Final Modification Report</u> hones in on the wider system benefit of works, which should be the defining feature of the modification’s defect in a more active identification of works.</p> <p>The workgroup report refers to ‘works where there is guaranteed funding irrespective of the generation background’ as a possible principle for designation of Excepted works (and it is noted that guaranteed funding was referred to in the Ofgem decision letter for CM094), although how funding is guaranteed is not described. It is recommended that the CMP447 workgroup should receive a briefing on how funding mechanisms work and how their funding is guaranteed, to aid evaluation of this as a workable principle.</p> |
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| 6 | Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code? | <input checked="" type="checkbox"/> Yes |
| | | <input type="checkbox"/> No |

Specific Workgroup Consultation questions

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| 7 | Can you suggest a better definition, than those put forward in the Workgroup Consultation of how Ofgem might exercise its discretion in relation to designation of transmission works? | <input checked="" type="checkbox"/> Yes |
| | | <input type="checkbox"/> No <p>In complement to our answer to question 5 and the need to have the earliest visibility of Excepted works, it would be helpful to have a list of principles that Ofgem will use to designate works at a high level. Providing as much information on the intended process ahead of the October decision will better help investors forecast the outcome of the modification.</p> <p>Our understanding is that there are two parts to the process of designation of Excepted Works; firstly, Ofgem identifies works/schemes at a high level, followed by NESO mapping the removal of securities onto specific projects. We would like to see greater information on both parts of this process; for example, when will the list of projects be published and what level of detail can Generators expect from this. Again, this request for clarity ties into our response around the implementation process in question 2.</p> <p>Please also see our answer to question 5 for a more in-depth response to this question.</p> |

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| 8 | Can you suggest an alternative approach to adjustment of the 'fix' of the Attributable Works to that in the Original Proposal? | <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>As was evidenced in the working group discussion, Scottish Renewables' members were divided on the fair treatment of those customers in scope of this modification who had previously selected a Fixed profile.</p> <p>Some members recognised NESO's reservations to preserve the integrity of CMP192 and the inherent risk accepted when fixing in relation to future changes to securities.</p> <p>Another member believes that there are certain circumstances where it would be more appropriate to allow the fix to be reversed and to have the choice of profile returned to the Actual Attributable Liability profile. Such circumstances were cited as when larger projects are faced with redundant pre-trigger costs year on year due to the structure of the fix, despite no work being undertaken at that point. At the point of a Generator's original decision to fix, there would have been no visibility of local works as these are enveloped in the total works including those deemed strategic, so the Generator would have taken a decision to fix on the basis of the significant pre-trigger costs driven by the strategic works (but not the smaller local works which may well not commence for many years). The impact of this is that subsequent removal of the strategic works would mean that the Generator remains committed to the pre-trigger £/MW costs which may well be much higher than Actual build costs, but would not have an opportunity to review whether this is appropriate. On this basis, the stated view was that a</p> |
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| | | <p>one-off exercise to provide the opportunity to reverse the fix would be appropriate.</p> <p>Ultimately, there was consensus that extending the modification to enable customers to remove the fix of their entire profile within this modification could inadvertently delay or jeopardise the ultimate approval of the modification by Ofgem if it was deemed to be too much of an existential change. Thus, members think it should be considered elsewhere, perhaps in a separate modification.</p> |
| 9 | Do you consider that if works are to be removed from the Attributable works cancellation charge (and therefore not securitised via the Attributable Works component of a Generator's potential cancellation charge), because they are designated as "Excepted", the definition of wider works cancellation charge should be altered so as to remove them from the wider works cancellation charge? | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>While we understand Ofgem's duty to protect consumers and thus have Generators share the cost of grid buildout, the principles being applied to CMP447, with works providing wider system benefit already being deemed strategic and needed, would apply in the same way to associated wider works.</p> <p>The consideration of wider works being removed is relevant to this modification as it is a consequence of the modification's development and has a direct knock-on impact when considering the reallocation of costs. The transfer of Attributable Works' cost partly onto the share of wider works demands consideration of the treatment of wider works within this modification. Related to this, some members have concerns that an increase to wider works as shared through Electricity Ten Year Statement (ETYS) zones could be a cause for concern for comparatively small zones, such as for some of the Scottish islands, which could see a large increase in securities.</p> |

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| | | <p>However, there is consensus from our members that we would not want the consideration of wider works to delay the progress and/or potential implementation of this modification. As such, we urge its immediate review after the implementation of CMP447 as it potentially poses more of an existential question beyond the scope of this modification. We understand this was also noted as a follow-up action from the CMP428 working group, so this demands urgent attention.</p> |
| 10 | Following on from Question 9, does this require a different modification if so? | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>As answered in question 9, if wider works cannot be considered in the current timescales set out for the modification CMP447, it should be considered urgently in a follow up modification.</p> |
| 11 | Is it important is it for this solution to be implemented in time for Gate 2 offers being issued? Please explain your rationale. | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>It is vital that this solution is implemented in time for Gate 2 offers to safeguard existing and future project development, and contribute to the success and timely delivery of Connections Reform.</p> <p>Without the modification in place by the time Gate 2 offers are issued, Generators may not be able to accept offers if their securities profile is not adjusted accordingly. If the modification is not implemented by this time, there needs to be sufficient time for Generators to review offers in three months or accept and allow modification applications to be submitted, ahead of December 2025, to avoid trigger dates occurring in April 2026. Please see our answer to</p> |

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| | | question 2 for full detail on necessary provisions in the event of delay. |
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