Public

CMP460: Improving Transmission Connection Asset Charging

Workgroup 2, 03 December 2025

Online Meeting via Teams

NESO
National Energy System Operator

WELCOME

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Agenda

Topics to be discussed	Lead
Introductions	Chair
Timeline	Chair
Terms of Reference	Chair
Charging Infrastructure Assets	Proposer
Proposal Options	All
Retrospectivity	Proposer
Any Other Business	Chair
Next Steps	Chair

Expectations of a Workgroup Member

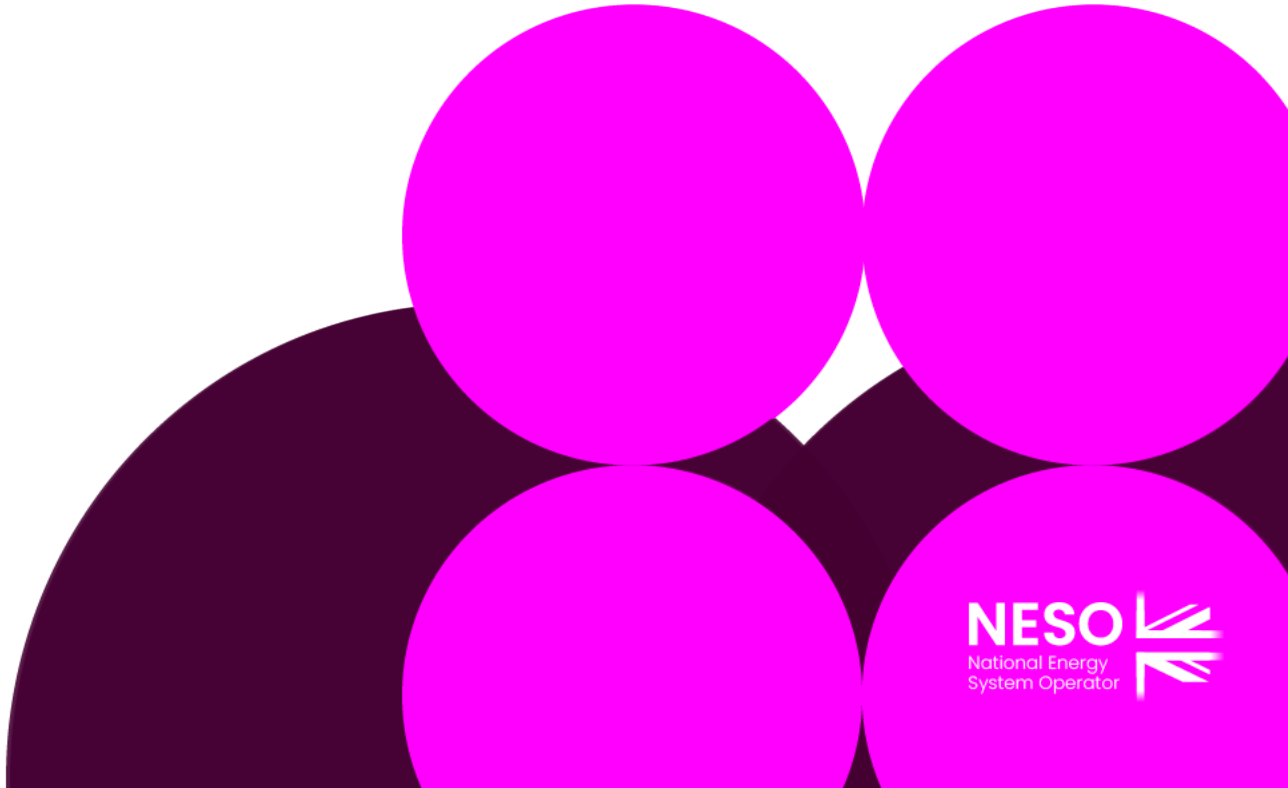
- Contribute to the discussion
- Be respectful of each other's opinions
- Language and Conduct to be consistent with the values of equality and diversity
- Do not share commercially sensitive information
- Be prepared - Review Papers and Reports ahead of meetings
- Complete actions in a timely manner
- 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

Timeline

Jess Rivalland – NESO Code Administrator

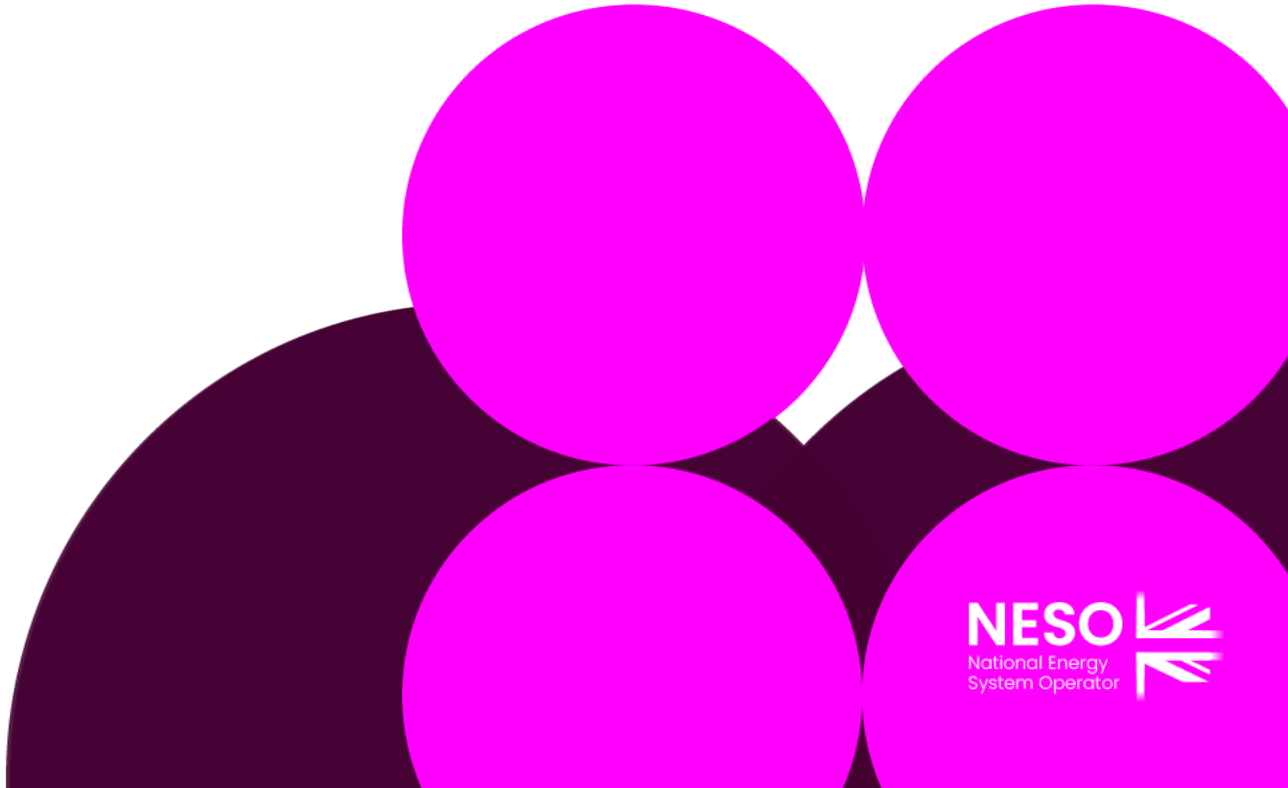


CMP460 Timeline as of 05 November 2025

Milestone	Date	Milestone	Date
Modification presented to Panel	26 September 2025	Code Administrator Consultation (15 Business Days)	22 May 2026 – 15 June 2026
Workgroup Nominations (15 Business Days)	26 September 2025 – 17 October 2025	Draft Final Modification Report (DFMR) issued to Panel (5 Business Days)	23 July 2026
Workgroup 2 – Workgroup 6	**03 December 2025** 17 December 2025 08 January 2026 15 January 2025 22 January 2026	Panel undertake DFMR recommendation vote	31 July 2026
Workgroup Consultation (15 Business Days)	27 January 2026 – 18 February 2026	Final Modification Report issued to Panel to check votes recorded correctly (Panel have 5 Business Days to check)	31 July 2026
Workgroup 7 – Workgroup 12	04 March 2026 18 March 2026 31 March 2026 10 April 2026 27 April 2026 05 May 2026	Final Modification Report issued to Ofgem (5 Business Days after Final Modification Report is issued to Panel to check votes recorded correctly)	10 August 2026
Workgroup report issued to Panel (5 Business Days)	14 May 2026	Ofgem decision	By 30 September 2026
Panel sign off that Workgroup Report has met its Terms of Reference	22 May 2026	Implementation Date	01 April 2027

Terms of Reference

Jess Rivalland – NESO Code Administrator



Terms of Reference

Workgroup Terms of Reference
a) Consider EBR implications.
b) Consider the solution is aligned with the outcomes of the DCUSA DCP461 Workgroup and any other related DCUSA changes, where practical. b) Consider the development and interactions with any DCUSA modifications when identifying a solution
c) Consider coordination with TOs to revise construction agreements.
d) Consider alignment with end-to-end connections review.
e) Consider alignment with the wider regulatory reforms for network charging.
f) Consider the interaction with distribution and transmission business plans and the ability for TOs and DNOs to secure funding for any works. f) Consider the interaction with distribution and transmission business plans.
g) Consider the incentives for Users to invest efficiently, in particular with regard to the cost signals provided to Users from the charging methodology.
h) Consider the impacts of socialised costs on consumers and other parties.

How Infrastructure Assets are charged

Elements of the local charges (only apply to directly connected generation) are:

- the local circuit tariff, which applies to generators that connect to a substation which is not part of the Main Interconnected Transmission System (MITS) and covers the cost of the circuits which transports their power to the MITS.
- The local substation tariff, which applies to the first transmission substation that the directly connected generator connects to.

A local substation tariff is not specific to the actual substation that a Generator is connecting to or the assets that have been built for that connection. NESO calculate a generic cost for each category of substation using substation cost data that is provided by the onshore TOs ahead of each price control. Once the tariffs have been set at the beginning of a price control period, they are then only subject to inflation for each subsequent year of the price control period.

The demand tariff categories are:

- Half-hourly tariffs, paid based on metered demand over the triad periods
- Non-Half Hourly tariffs – based on annual consumption between 4 pm and 7 pm daily
- Embedded Export Tariff – a credit for embedded generation over the triad periods
- Transmission Demand Residual – a £/site/day tariff for final demand customers only.

Onshore TNUoS tariffs are based on generic costs for the asset type, infrastructure costs of a connection do not have a direct impact on an individual's tariffs. However, a proportion of those asset costs would become part of the relevant TO's allowed revenue within each year for the asset lifetime and therefore the total revenue to be collected via all TNUoS tariffs (generation and demand) would increase to cover that project. Therefore, there could be a small impact on every tariff across all TNUoS customers (particularly if there is a change in expected flows within the TNUoS network model). There are limits on how much can be collected via the locational tariffs and so the impact of any increased revenue to be collected would be seen in the Transmission Demand Residual Tariffs and be collected from customers at final demand sites.

TNUoS Guidance for Generators – Onshore Local Substation Tariffs page 13.

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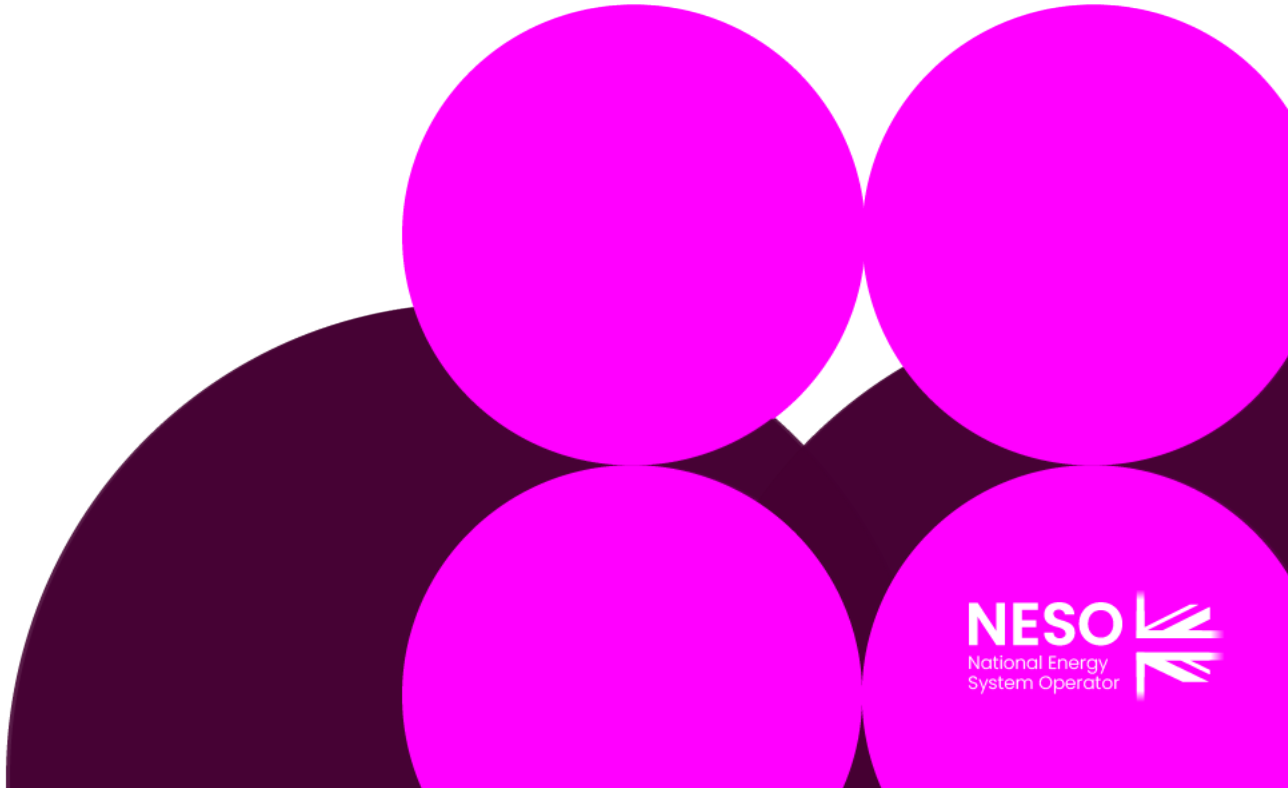
Proposal Options

Joe Colebrook, Innova Capital Limited



Code Change Proposal – Baseline Option

Pass through Transmission Connection Asset Costs to Distribution Users

- No CUSC code change required (baseline).
- DNO Connection Charging Methodology update may be required (DCP461 in progress)

Benefits	Disadvantages
• DNOs in control of solution at some GSPs and could chose to deploy flex alternatives • Self contained DCUSA Code Mod.	• Will keep different charging arrangements for GSPs which are infrastructure site – no standardisation • Unclear locational incentive for embedded projects to locate under unconstrained GSPs • What happens when a GSP is re-classified as an infrastructure site because of a new tertiary connection?

Code Change Proposal – OPTION 1

Socialise all embedded triggered reinforcement through TNUoS

- CUSC code change required. New asset classification suggestion:
  - **Embedded Shared Connection Asset** – *A Transmission Connection Asset which connects more than one embedded customer via a licensed distribution network (includes IDNOs)*
- Charging rules for these assets to be aligned with those for Infrastructure Assets – i.e. funded solely via TNUoS
- DCUSA Modification becomes redundant

Benefits	Disadvantages
• Same charging mechanism for ALL assets regardless of whether a GSP is an infrastructure site. • NESO and TOs could use existing economic assessment mechanisms to determine whether new SGTs are an economically efficient solution to prevent excess TNUoS burden. • Fairly simple CUSC Code Mod	• Significant additional TNUoS Burden collected through the Transmission Residual Charge • Lack of locational incentive for generators to locate under less constrained GSPs

Option 1 Discussion Points

- Will embedded demand and embedded generators count as embedded users when determining the number of triggering embedded projects?
- How easy will it be to determine how many projects have triggered specific assets?
- Will a DCUSA modification still be required to determine how assets triggered by one embedded user will be charged?
- Will NESO be incentivised to find cost-effective solutions that may avoid GSP reinforcement?
- Would we need to update anything else in the legal text, except for introducing a new asset classification?

Code Change Proposal – OPTION 2

Pass through all attributable transmission works triggered by embedded customers

- CUSC code change required. Update the definition of connection asset to include assets triggered by DNO Users at infrastructure sites.
  - This would impact infrastructure sites where costs are not currently passed through to embedded customers.
- DCODE code change required (DCP461 in progress).

Benefits

- Same charging mechanism for ALL assets regardless of whether a GSP is an infrastructure site.
- DNOs in control of solution and could chose to deploy flex alternatives
- Incentive for embedded generators to locate under less constrained GSPs
- Reduced TNUOS burden, reduction in Transmission Residual Charge

Disadvantages

- Complex Legal Text Changes
- Additional cost burden on DNOs and their customers.

Option 2 Discussion Points

- What happens when an SGT is re-classified as an infrastructure asset because of a new tertiary connection?
- Could multiple DNO users be charged for the same asset?
- Would reinforcement works triggered by embedded demand only be charged to the DNO?
- Would we need to update anything else in the legal text, except for the definition of a Connection Asset?

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Code Change Proposal – OPTION 3a

Pass through a partial amount of attributable transmission works triggered by embedded customers proportionate to the Developer Capacity of the triggering projects (All GSPs)

- CUSC code change required. New asset classification suggestion:
  - **Embedded Shared Connection Asset** – *A Transmission Connection Asset which connects more than one embedded customer via a licensed distribution network (includes IDNOs)*
- This would impact infrastructure sites where costs are not currently passed through to embedded customers.
- DCODE code change potentially required (DCP461 in progress).

Benefits

- Same charging mechanism now for ALL assets regardless of whether a GSP is an infrastructure site.
- NESO, TOs, and DNOs could use existing economic assessment mechanisms to determine whether new SGTs are an economically efficient solution to prevent excess TNUoS burden.
- locational incentive for generators to locate under less constrained GSPs

Disadvantages

- Significant additional TNUoS Burden collected through the Transmission Residual Charge
- Potentially Complex Legal Text
- Unclear who (TOs, NESO, and DNOs) is responsible for considering if the reinforcement is value for money

Code Change Proposal – OPTION 3b

Pass through a partial amount of attributable transmission works triggered by embedded customers proportionate to the Developer Capacity of the triggering projects (Connection Site GSPs Only)

- CUSC code change required. New asset classification suggestion:
  - **Embedded Shared Connection Asset** – *A Transmission Connection Asset which connects more than one embedded customer via a licensed distribution network (includes IDNOs)*
- DCODE code change potentially required (DCP461 in progress).

Benefits

- NESO, TOs, and DNOs could use existing economic assessment mechanisms to determine whether new SGTs are an economically efficient solution to prevent excess TNUoS burden.

Disadvantages

- Will keep different charging arrangements for GSPs which are infrastructure site – no standardisation
- Significant additional TNUoS Burden collected through the Transmission Residual Charge
- Potentially Complex Legal Text
- Unclear who (TOs, NESO, and DNOs) is responsible for considering if the reinforcement is value for money
- Unclear locational incentive for embedded projects to locate under unconstrained GSPs

Option 3 Discussion Points

- What happens when an SGT is re-classified as an infrastructure asset because of a new tertiary connection?
- Could multiple DNO users be charged for the same asset?
- Would reinforcement works triggered by embedded demand only be charged to the DNO?
- Will embedded demand and embedded generators count as embedded users when determining the number of triggering embedded projects?
- How easy will it be to determine how many projects have triggered specific assets?
- Will a DCUSA modification still be required to determine how assets triggered by one embedded user will be charged?
- Would we need to update anything else in the legal text, except for introducing a new asset classification?

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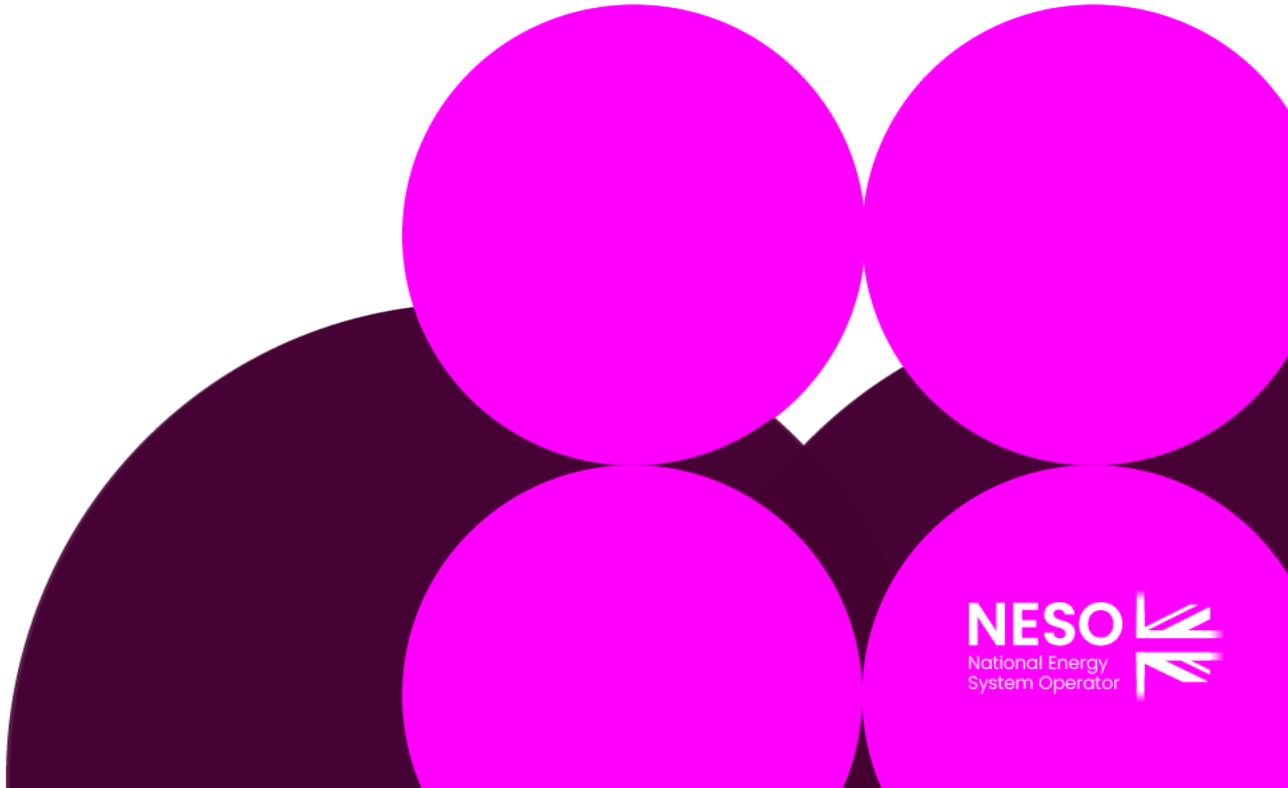
Retrospectivity

Joe Colebrook, Innova Capital Limited

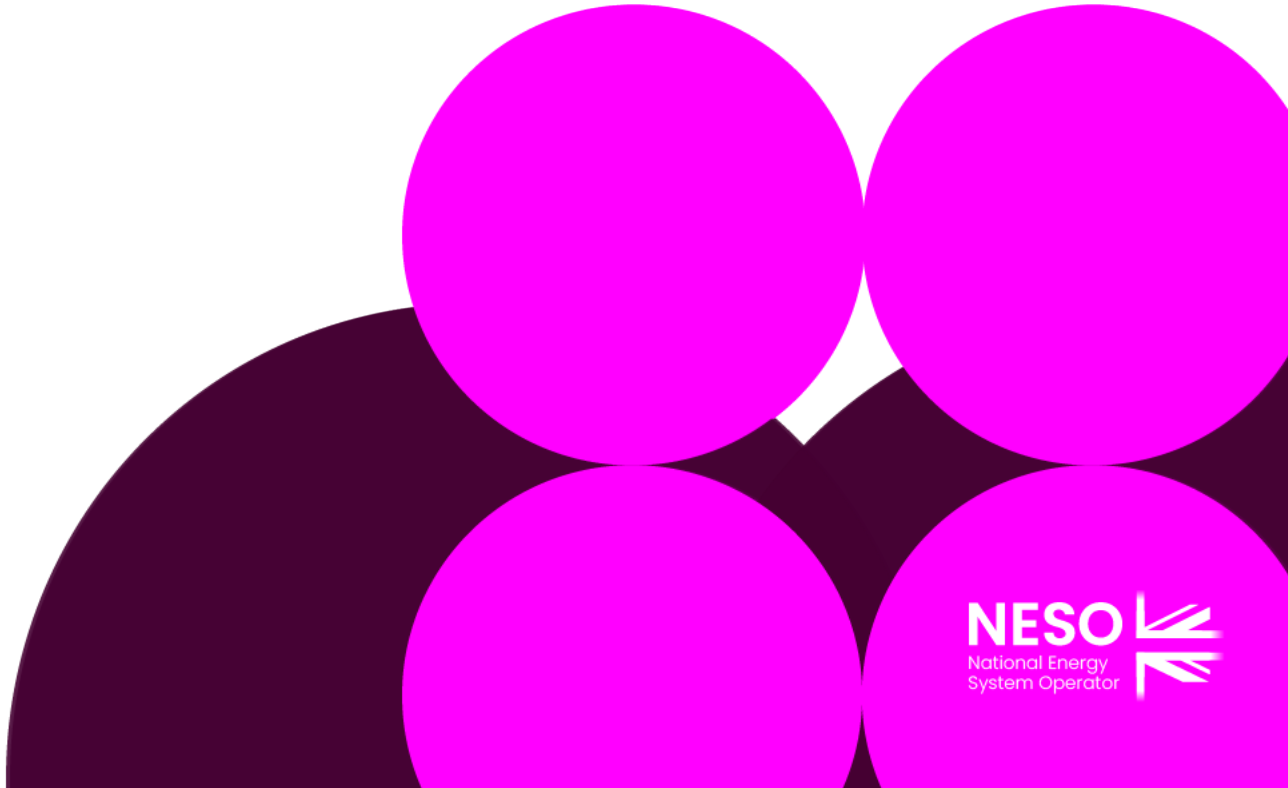


Retrospectivity

- The Connection Charge for already connected Users would not change.
- Ownership of Assets that are already built would not change (would a change in ownership be needed due to CMP460?)
- Connection Agreements between NESO and DNO Users would be updated to reflect the new connection charges.
  - Depending on the solution,
- Connection Offers for embedded projects (and tertiary users?) who have accepted an offer but not connected, would be updated to reflect the charges passed (or no longer passed) to DNO Users.
- Changes to TNUoS would take effect from the start of the next financial year after the Ofgem Decision (01 April 2027).
- Would the legal text need to include a clause to manage charging methodology for existing (operational assets) at the CMP460 implementation date?

Any Other Business

Jess Rivalland – NESO Code Administrator



Next Steps

Jess Rivalland – NESO Code Administrator