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Workgroup Consultation

CMP417: Extending principles of CUSC Section 15 to all Users

Overview: This modification looks to extend the principles of Connection and Use of System Code (CUSC) Section 15 "User Commitment Methodology" to Users on Final Sums methodology, resulting in all Users being on the User Commitment Methodology. This will introduce equitable treatment across User groups and reduce barriers to entry.

Modification process & timetable

1. **Proposal Form**
   12 July 2023
2. **Workgroup Consultation**
   19 January 2026 – 06 February 2026
3. **Workgroup Report**
   16 April 2026
4. **Code Administrator Consultation**
   28 April 2026 – 19 May 2026
5. **Draft Final Modification Report**
   18 June 2026
6. **Final Modification Report**
   06 July 2026
7. **Implementation**
   10 Business Days following Authority decision

Have 5 minutes? Read our Executive summary
Have 60 minutes? Read the full Workgroup Consultation
Have 120 minutes? Read the full Workgroup Consultation and Annexes.

Status summary: The Workgroup are seeking your views on the work completed to date to form the final solution to the issue raised.

This modification is expected to have a: High Impact on National Energy System Operator (NESO), Distribution Network Operators (DNOs), Transmission Owners (TOs), Users who remain on Final Sums methodology (Distributed connected Demand, Transmission connected Demand and DNOs where work is not triggered by an embedded generator e.g. asset replacement)

Governance route	Standard Governance modification with assessment by a Workgroup	
Who can I talk to about the change?	**Proposer:** Martin Cahill, NESO martin.cahill@neso.energy	**Code Administrator Chair**: Robert Hughes, NESO robert.hughes3@neso.energy
How do I respond?	Send your response proforma to cusc.team@neso.energy by **5pm** on **06 February 2026**	

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Executive Summary

This modification looks to extend the principles of CUSC Section 15 “User Commitment Methodology” to Users on Final Sums methodology, resulting in all Users being on the User Commitment Methodology.

What is the issue?

Currently the security and liability arrangements for Users of the National Electricity Transmission System (NETS), require them to financially secure the Transmission Owner's (TO) expenditure related to their connection. There are two methodologies for calculating users' financial liabilities: the User Commitment Methodology, which reduces security rates as projects near commissioning, and the Final Sums methodology, where the User will secure all spend associated with their project as it progresses. Historically where Demand connections have been much smaller than generation this has worked, with Users securing spend on reinforcement local to their site. However, recent connections have shown larger sites driving Transmission Works beyond the connection site. With no sharing factors included in Final Sums, this has the potential to result disproportionately large liabilities for Demand Users, and a need to reconsider their treatment.

What is the solution and when will it come into effect?

Proposer’s solution:

To apply the principles of User Commitment Methodology to Demand securities and liability. This includes the application of sharing factors such as the Strategic Investment Factor (SIF). This would ensure that Demand Users are only liable for a portion of spend for assets which have a higher capability than their site alone requires.

Implementation date:

10 Business Days following Authority Decision.

What is the impact if this change is made?

This modification removes the two-tier process between the two existing security methodologies and ensures that Users have clarity over their financial securities and liabilities. This will help ensure that User Commitment arrangements do not unduly restrict new developments competition.

Interactions

CM093 'Extending the principles of the User Commitment Methodology to Final Sums Methodology as a consequence of CUSC Modification has been raised as a consequence of CMP417'. This seeks to deliver the required changes to System Operator Transmission Owner Code (STC) so that SIF and Local Asset Reuse Factor (LARF) can be applied to Demand users.

What is the issue?

What is the defect the Proposer believes this modification will address?

Security and liability arrangements are provisions by which Users of the NETS must underwrite reinforcement works which they trigger. Customers under existing User Commitment Arrangements are required to financially secure their TO's spend in relation to their connection. The security requirement is the proportion of the total liability that must be secured at a point in time by the customer and represents a financial commitment which falls away and is replaced with Use of System charges once a User is connected to the Transmission System.

In the event a User terminates a connection agreement prior to connection or reduces their capacity, they have a liability for charges to the National Energy System Operator (NESO) which filters and then passed onto the relevant TO.

There are two security methodologies currently in use to determine a User's financial liability and security amount which needs to be secured in relation to the provision of new, or amended capacity:

- CUSC Section 15 'User Commitment Methodology'. Under this methodology Users are liable for Attributable Works (works required to connect to the nearest Main Interconnected Transmission System (MITS) node with this liability reduced based on the ratio of Transmission Entry Capacity (TEC) to asset capability, potential to reuse assets. Users also secure a proportion of wider network investment based on which zone they connect in.
- Final Sums methodology - outlined in CUSC Schedule 2, Exhibit 3, Part 2. Under this methodology, Users are required to secure all spend associated with the project as works progress.

User Commitment Methodology was introduced via CMP192 and expanded under subsequent mods CMP222 and CMP223. The purpose of these modifications were to lower perceived barriers to new entrants, incentivise timely provision of information to the TOs to aid efficient decision-making, and improve the governance of the methodology by embedding it in the CUSC. It was perceived at the time the previous modifications were raised that the Final Sums methodology may have had a negative impact on competition. This was due to the significant difference in security requirements for Users once their Connection and Construction Agreements were signed.

Modifications CMP192, CMP222 and CMP223 did not include the Users who remain on Final Sums methodology currently (distributed connected Demand, Transmission connected Demand and DNO works not triggered by Embedded Generation) as the general consensus of Workgroup Members at the time was that these Users generally only triggered the specific assets built to connect them to the NETS. However, Demand connections are now driving Transmission Works beyond the Connection Site. What this means in practice is that while these reinforcements beyond the Connection Site are likely to be used by multiple customers, there is no provision within Final Sums to share the liability. Therefore, there is a risk that Demand sites will face liabilities which are disproportionately high in comparison to the investment which they trigger, and the current arrangements could act as a barrier to entry for some.

Users covered under CUSC Section 15 User Commitment Methodology sit in the following categories:

- a Power Station directly connected to the NETS in respect of which there is a Bilateral Connection Agreement (BCA) with The Company;
- an Embedded Power Station in respect of which there is a Bilateral Embedded Generation Agreement (BEGA) with The Company;
- a Distribution System directly connected to the NETS in respect of which there is a Construction Agreement associated with Distributed generation;

- an Interconnector directly connected to the NETS in respect of which there is a Bilateral Connection Agreement with The Company.

Any other User not described above, currently remains on the Final Sums methodology as defined in its Construction Agreement (CUSC Schedule 2, Exhibit 3, Part 2).

Why change?

Over recent months and years, some Demand connections have driven Transmission Works beyond the Connection Site, and as a result have triggered significant securities in their agreements. There are instances where Transmission Works are triggered by multiple Users across both security methodologies, which can result in both methodologies being applied to different Users across the same Transmission Works. NESO expect to see more large connections such as data centres in the future, which would make this issue even more pronounced.

This modification aims to improve the cost reflectivity that Users currently on Final Sums methodology have on a TO's spend profile. This will help reduce uncertainty for developers whereby the security amount is reflective of the Transmission liabilities they actually impose.

The Original Proposal form can be found in **Annex 01**.

What is the solution?

Proposer's Original solution

To extend CUSC Section 15 "User Commitment Methodology" to apply to all Users. This will mean Transmission connected Demand, Distributed connected Demand* and DNO required works will be moved from Final Sums methodology to User Commitment methodology.

*Note that if an embedded Demand scheme must go through a Modification Application (Mod App), the scheme will incur cancellation liabilities. However, this is administered through the DNO who will also be liable to NESO for the works and pass this liability on to the embedded Demand customer.

The proposed solution is as follows:

- Final Sums methodology will no longer be used for new connections. Existing connection applications on Final Sums will be transitioned to new arrangements. This will be done by updating individual Construction Agreements (as existing agreements will include Final Sums liability) and updating security arrangements to take effect from the next security run.
- Demand sites will be added to User Commitment methodology (CUSC section 15), where they will have Attributable Works and secure a portion of wider Capital Expenditure (CapEx) spend.
- The same calculations as those used for Generator User Security will be applied, with the exception that instead of TEC, "Demand Capacity" will be used:

  Total Liability = Attributable Works Liability + Wider Liability
  Attributable Liability = Spend to date (including 6 month forecast x (1-LARF) x SIF

  Wider Liability = Demand Capacity x Zonal £/MW Tariff x Wider Profile (%)

  SIF = Demand Capacity/Attributable Scheme Capability
- Demand Capacity reflects the maximum power which is required by the Demand Site. Where the BCA states the maximum Demand to be taken at the site (Connection Site Demand Capability), this will be assigned as the Demand Capacity. Where this is not included in the BCA, it will be the figure provided via the connection application, and if this is not available the figure will be agreed between NESO and the customer based on expected consumption. Note for DNO applications, this figure would usually be the power required by an embedded site which is triggering the Mod App, however in some instances the Mod App may not be linked to a specific embedded project. The Demand Capacity section of this report provides more detail on assumptions that should be used to provide this figure under different scenarios
- The proportion of liability which needs to be secured will be the same as for generation. This is based on whether the project is past the trigger date, Transmission or distribution connected, and whether it has consents
- Where an already connected Demand site modifies an agreement to add additional capability, the liability will be calculated using the increase in

capability e.g. Maximum Demand to be taken in new BCA – Maximum Demand to be taken in previous BCA.

- The total amount of Wider CapEx to be applied to User Commitment will be unchanged, as will the amount to be recovered from each Electricity Ten Year Statement (ETYS) Zone. However, this will now be divided across generation and Demand, each will each have the same £/MW tariff depending on which zone they are located in. As the total number of MW the charge will be divided across will increase, Generators will see a slightly reduced wider liability
- Hybrid Sites (generation and Demand at the same site) will have one security statement produced which uses the highest MW rating (TEC or Demand Capacity) to calculate liability

As per User Commitment for generation, a cancellation charge will apply if:

- A User reduces Demand Capacity before the connection date
- A connected Demand project reduces their Demand Capacity or closes the site without providing the relevant notice period (note only the wider part of the charge will apply for this).

Implementation will be in two stages:

- Any clock started applications and modification applications received 10 working days from the Authority decision will be under CUSC section 15 User Commitment Methodology.
- Existing Users under Final Sums methodology will require a transitional period post the decision from the Authority. This will involve their construction agreement to be updated to reflect User Commitment security provisions. User Commitment will then apply from the next security run (note existing Final Sums security arrangements will apply until that point)

CMP417 requires some changes to data received from TOs which will be progressed via the associated STC modification CM093.

This will include additional Attributable Works cost information for Demand connections (noting that CMP417 will extend the definition of Attributable Works to include Demand). This will also require any additional schemes which are only

attributable for Demand to be excluded from the load related and non-load related CapEx figures provided for the wider cancellation charge.

CUSC changes required for this modification:

- CUSC Section 6 "General Provisions"
- CUSC Section 10 "Transition Issues"
- CUSC Section 11 "Interpretation and Definitions"
- CUSC Section 15 "User Commitment Methodology"
- CUSC Schedule 2, Exhibit 3, Part 1 and Part 2 - Construction Agreements
- CUSC Exhibit MM3 "Notification of Fixed Attributable Works Cancellation Charge"

Workgroup considerations

The Workgroup convened 13 times to discuss the issue as identified by the Proposer within the scope of the defect, develop potential solutions, and evaluate the proposal in relation to the Applicable Code Objectives.

Workgroup Discussion ahead of the Workgroup Consultation

CMP417 was raised in July 2023. 5 Workgroup meetings were held in late 2023/early 2024 prior to a Workgroup meeting hiatus due to Connections Reform. Following the hiatus, 8 further Workgroup meetings were held to discuss the solution.

Discussion and clarification of the defect

The Proposer introduced the two different methodologies for securities, as follows:

- User Commitment Methodology, which is applicable to all generation projects including Interconnectors and Embedded Generators. This is covered within CUSC Section 15.
- Final Sums methodology, which is applicable to DNOs and directly connected Distributed and Transmission Demand. This is outlined in CUSC Schedule 2, Exhibit 3, Part 2.

The Proposer outlined that the defect of the modification is that Final Sums methodology is acting as a barrier to entry for some Users due to the significant securities incurred, and that their goal was to introduce more equitable treatment to those Users currently covered under Final Sums methodology.

Several Workgroup members noted that aspects of User Commitment Methodology are not fit for purpose, however the Proposer clarified that changes to the existing User Commitment Methodology for generation projects are not within the scope of CMP417. They advised that this could be part of a separate modification once CMP417 concluded, noting that if CMP417 is approved, any future changes to User Commitment Methodology could apply to both generation, DNOs and directly connected Demand.

One Workgroup member queried whether NESO had considered changes to Final Sums methodology within the STC rather than changing the CUSC, however it was later confirmed by the Proposer that this would not achieve the same benefit as moving Final Sums Users to CUSC Section 15.

The Workgroup also considered the differences between Final Sums methodology and User Commitment Methodology, with a detailed overview being provided on Final Sums methodology during Workgroup meeting 2.

Application to different Users

Several Workgroup members queried whether moving Demand Users to CUSC Section 15 was the correct solution, noting that there may be negative costs incurred as a result of doing this, especially where Demand and generation interact.

Workgroup members also queried which Users would be transferred from Final Sums methodology to User Commitment Methodology, with the Proposer confirming that the intention of the Original solution was to ensure no Users were left on Final Sums methodology, and to have all Users covered by User Commitment Methodology in CUSC Section 15.

Workgroup members had concerns relating to the application of User Commitment to Network Operators, specifically relating to how capacity is defined (see Demand Capacity for more information).

Hybrid Sites

Workgroup members discussed the treatment of Hybrid sites which had both Demand and generation elements, and the potential for double counting. The Proposer confirmed that under the current process a hybrid site would receive separate security statements for generation and Demand, and that one of the aims of this proposal should be to avoid securities being duplicated. After discussing with Workgroup, the following process was proposed:

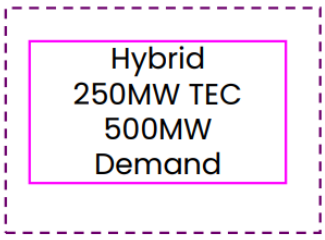
- One security statement will be created for hybrid site which covers generation and Demand
- SIF and wider liability will be calculated using the highest of TEC or Demand Capacity

This was preferred to other options such as creating two statements but each Attributable Works scheme only appeared in one or the other. The preference to have one security statement is to avoid the potential for gaming the system by a hybrid site fixing securities for only one of their statements.

The scenario below gives the potential issue with fixing if an approach had been chosen to keep separate generation and Demand statements:

- Attributable Works A and B are required to accommodate generation and Demand
- Attributable Works C are only required for generation

Security Statement Demand	**Security Statement Generation**
Attributable Works A and B (assigned to highest)	Attributable Works C (Demand only)



- If site fixed generation security statement and later cancelled Demand part of plant, Attributable Works A and B could no longer be included in generation security statement

- While further costs would be incurred for these works over time, the Generator would not be liable

DNOs

Following an ENA meeting with DNO's that took place on 16 October, the Workgroup discussed:

- whether reductions in Demand Capacity would also trigger cancellation liabilities, noting that reductions in Generator technology do trigger such liabilities. The Proposer confirmed that reductions in Demand will also trigger cancellation liabilities, aiming for alignment between generation and Demand processes;
- the predominant driver for DNO Mod Apps is larger embedded Demand connections. Each Mod App includes a maximum of one embedded Demand connection, these are not currently aggregated e.g. multiple Demand connections included in one Mod App;
- though less common, some Mod Apps may not be associated with an embedded Demand connection. These could be triggered by specific requirements for the DNO e.g. new Super Grid Transformers (SGTs), or overall load growth in the network. Some basic principles for these applications have been developed in the Demand Capacity section;
- that BEGA would be separate if applications would include both Embedded Generation and Demand;
- Consideration was given whether Demand customers will be added to a document similar to a Statement of Works or Appendix G table.

It was concluded in Workgroup 11 to maintain a one-to-one mapping (one embedded connection per DNO Mod App) instead of introducing a Statement of Works/Appendix G type process as is used for generation. This would represent a substantial change and should be considered separately, as Appendix G was originally designed to manage the volume of generation applications, not Demand connections.

Wider reinforcement works

The Proposer's initial solution did not include use of the wider cancellation charge due to Demand historically not triggering Transmission Works. Some

Workgroup members noted that Demand Users pay for part of wider reinforcement works through the Transmission Network Use of System (TNUoS) charging.

It was later discussed in the Workgroup that more recent Demand connections have been triggering wider investment, particularly with larger sites which have a more significant impact on the network.

The Proposer later amended their solution to include the use of the Wider Cancellation Charge for Demand, based on feedback from the Workgroup, as well as from technical network planning teams at NESO. From a technical perspective, it was recognised that Demand applications can contribute to wider network reinforcement, and as such it is appropriate that these also contribute to wider liability.

The Proposer confirmed Electricity Ten Year Statement (ETYS) zones used for generation will apply to Demand for Wider Cancellation Charges. The Workgroup discussed whether the allocation model for cancellation charge recovery is appropriate if Demand and generation distributions differ by zone, and whether Demand MW in a zone should be treated the same as generation MW for cancellation charges.

A NESO Subject Matter Expert (SME) explained that under the process used for generation, it is already the case that specific wider works are not assigned to each zone, but rather by total CapEx spend apportioned by NESO using factors like User risk and global asset reuse factor. Workgroup members supported this approach as long as wider CapEx is not double counted.

The Proposer confirmed:

- there would be no double counting as there is one total CapEx figure produced which is divided across everyone who is liable for the Wider Cancellation Charge. This would in practice mean a reduction in wider liability for Generators
- the zones would remain consistent, and the method aligns with constraint boundaries.

The Workgroup discussed the user risk factor splits liability 50/50 between generation (Under User Commitment) and consumers (in TNUoS charges). Under

the proposed change, User Commitment would still be assigned 50% of the total liability but is now shared between both generation and Demand. Workgroup members supported the standardised approach if liabilities are proportionally allocated and not tied to specific asset types for Demand connections.

The Workgroup discussed concerns around keeping the User risk factor at 50% now that Demand would also have a Wider Cancellation Charge, since the User risk factor was designed so that the remaining 50% of the risk is applied to TNUoS and therefore picked up by post-commissioning Demand sites. The subject matter expert advised that changing the User risk factor would risk increase securities for Generators, while although this would mean some risk still included in TNUoS, the overall impact of CMP417 would still be a security reduction for Demand connections.

Process Overview

The Proposer brought to the Workgroup an example of the process overview shown below:

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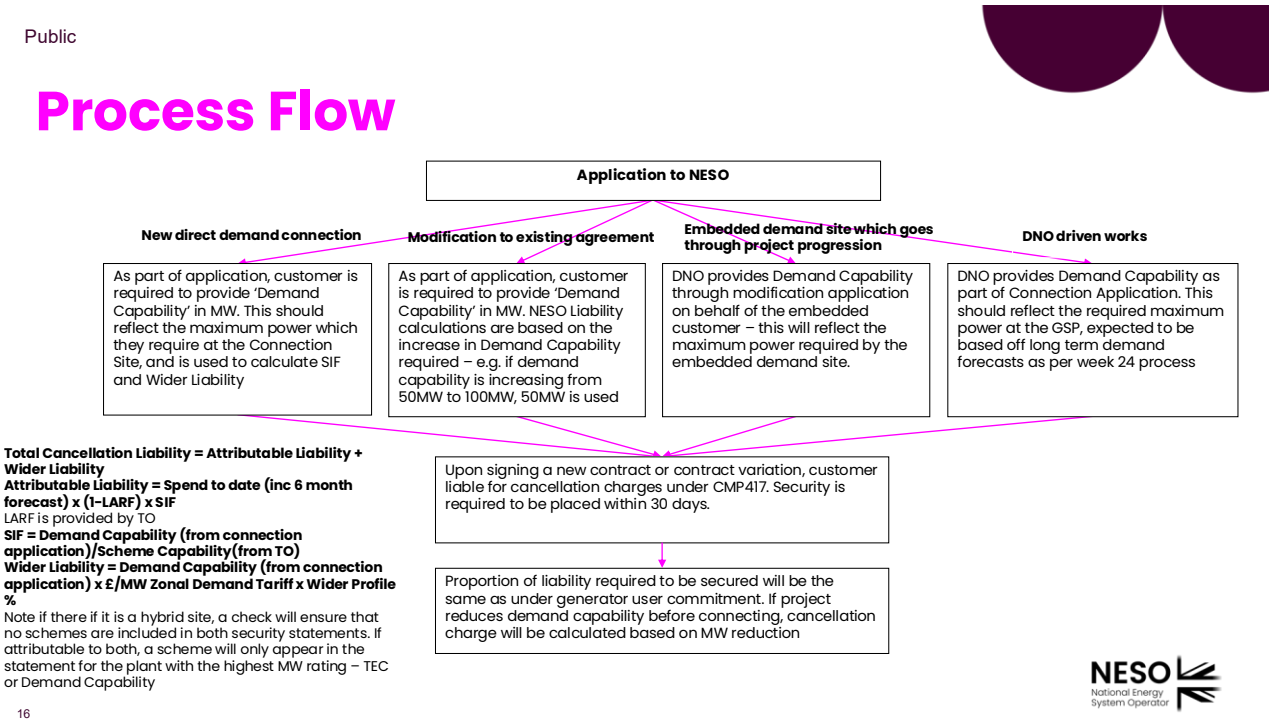
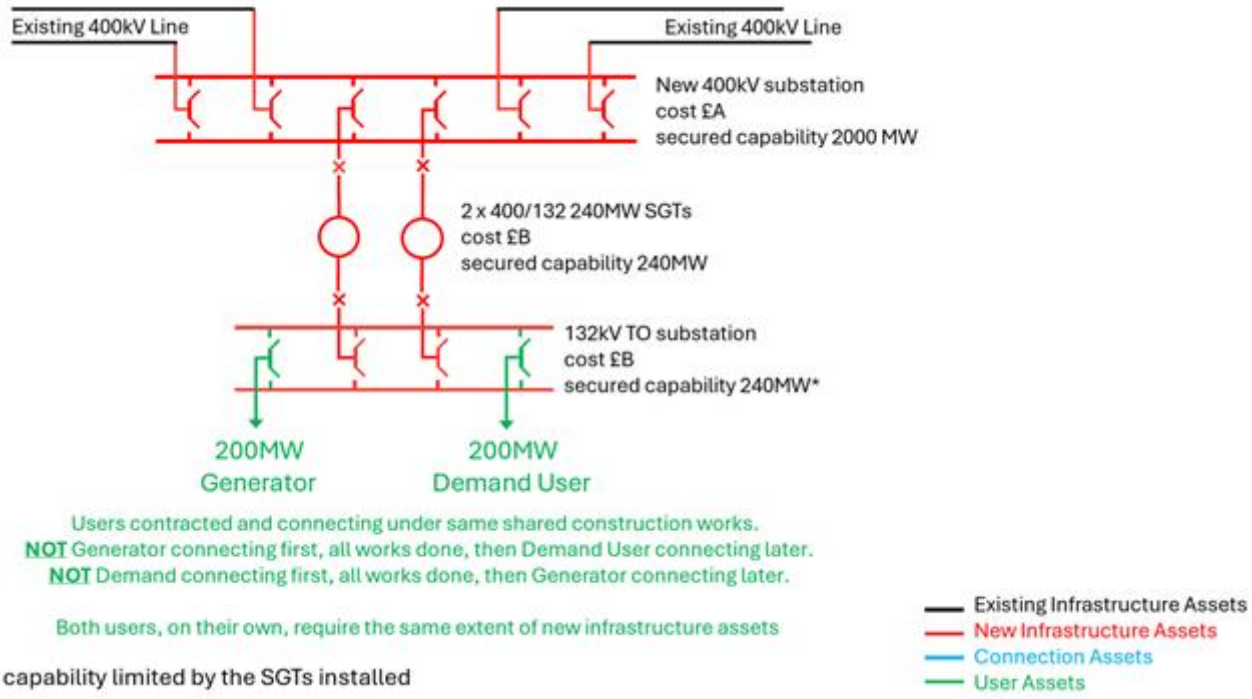


SIF scaling and application of LARF

The Workgroup discussed whether there was a need to scale SIF and LARF in earlier Workgroups to address assets being built and stranded. Some Workgroup members pointed that scaling SIF would work for generation but not Demand.

A Workgroup member provided a worked example (see below) which sets out how two Users would require all the same works for a compliant connection for themselves, but where the sum of SIFs across the generation and Demand securities would add up to more than 1.



Using the worked example, the Proposer concluded that scaling would not be incorporated into the solution, as it would change the original intent of CMP192 and falls outside the scope of CMP417. It would also mean Demand and generation would be treated differently. They explained that SIF scaling could potentially be addressed in a separate modification in future, covering both Demand and generation.

Workgroup members agreed that alignment between generation and Demand is important but aligning on an imperfect SIF methodology could introduce new issues, particularly around:

- applying SIF to connection assets and one-off works, as these assets are typically built for a single User and not shared;
- an inconsistent SIF application possibly may result in over-securitisation;
- if SIF is based on scheme capability, it could be difficult to determine certain assets, especially one-off works, and that TOs provide the relevant data for SIF calculation.

The Proposer clarified where one-off works for both SIF and LARF are set at 100%, there will be no scaling of User Commitment. This approach is consistent for both generation and Demand under the new proposal.

The Proposer agreed to consider what happens where one-off works are split between multiple customers, specifically whether they should be allocated based on capacity or another principle and will check for recent examples and clarify the general rule. A NESO SME confirmed that:

- One-Off Works have previously been shared by multiple Users in Scotland, but in Scotland these are paid up-front so are not accounted for in securities
- In England and Wales one-off works can be included in liability because these are usually paid for just before commissioning.

Demand Capacity

The Workgroup considered:

- stripping out distance factor within the defined term "Attributable Works" however, it was agreed this should remain to protect Demand Users;
- whether Demand Capacity should be converted to MW or MVA. Workgroup members supported the use of MW going forward;
- Demand connection application form requiring a Demand Capacity value, representing the connection's long-term requirements. The figure used would be applied to the same calculations as used for Generators, but in place of TEC. Workgroup members suggest considerations such as:
    - Whether there should be a Demand Capacity register, similar to the TEC register and if this would impact on queue management
    - Different types of project e.g. Directly Connected, Embedded, specific DNO works

Based on the feedback received, the Proposer's position was that the Demand Capacity figure requested in the Connection Application and recorded in BCAs should be the appropriate figure to use in place of TEC for Demand sites. This would reflect the maximum long-term requirement of the site and is fixed at the point of application. This figure should remain unchanged in subsequent statements unless there is a Mod App to change the capability.

In Workgroup 11, Workgroup members discussed:

- whether there is a defined maximum import capacity for a DNO at a grid supply point and if load growth Mod Apps should be based on total or incremental capacity, especially in cases where no such capacity is defined. The Proposer responded that there is no set maximum import capacity, but the "connection site Demand Capability" is specified in the BCA. For load growth, they recommended using the DNO's long-term forecasts, fixed at a specific point in time, to determine incremental capacity needs. These needs could be contractually recorded and used to calculate liabilities. For specific embedded projects, the maximum Demand from the application would be used.
- for both individual Demand Users and load growth, the trigger for works should be the increment above the existing connection site Demand Capability, not the total new Demand. Only the excess over the current capability should be considered for triggering works. It was noted that the process should inherently account for the additional figure above the current capability, whether for specific projects or diversified load growth. It was further noted that TOs do not always apply this consistently, and further work is needed across networks to standardise the approach.

A Workgroup member expressed concern that the proposed approach of using incremental capacity (the increase) for SIF calculations does not align with the explicit wording in the codes, which specify total capacity rather than just the increase. They believe this approach is not consistent with the current documented requirements.

The Proposer considered how the liability should be calculated for incremental capacity increases at existing Generator or Demand sites, confirming that the

current approach used for generation is to base liability only on the increase (incremental capacity), not the total capacity.

It was emphasised that this aligns with the original intention of CMP192, which was to base liability on new capacity, and stated there is no intention in changing to an approach which would increase liability for some Generators. The same method is proposed for Demand sites, meaning that if a connected Demand site applies for a Mod App to increase their Demand Capacity, only the increase will be taken into account.

The Workgroup discussed including a guidance note to explain how the incremental approach is applied for securing capacity, ensuring consistency, clarity with different scenarios (i.e. where technology changes or increases in capacity and can affect how liabilities are calculated).

A Workgroup member said liabilities should apply only to incremental and not total capacity. The Proposer confirmed the Original proposal aligns with this approach where liabilities based on incremental capacity when increasing from an already connected base. Examples of these are below:

- New 200MW Demand application – Demand Capacity = 200MW
- An already commissioned 200MW site applies for a Mod App at a later date for increase to 300MW maximum Demand – Demand Capacity for this Mod App is 100MW
- A 200MW Demand application increases maximum Demand to 300MW before connection date – Demand Capacity = 300MW, noting that this may require two separate security statements if original 200MW securities have been fixed

The Workgroup also discussed staged projects, and agreed that a new security statement would only be created between stages if there was an increase in Demand Capacity:

- For example, if a Generator was moving from non-firm to firm between stages, it would all be covered under one security record
- If there is an increase in TEC or Demand security, then the incremental capacity will be used for the purpose of calculating SIF and wider liability for that stage

Cost Examples

The proposer provided Workgroup with some example scenarios showing before and after views of Final Sums Liability vs User Commitment. These are provided below:

1. Table showing snapshot Final Sums vs User Commitment in 4 different example scenarios

Scenario	Final Sums	User Commitment - Security	User Commitment Cancellation Charge	Wider Liability	Attributable Liability	Reduction (Security)	Demand Capacity
A	£400,000,000	£34,000,000	£34,000,000	£0	£34,000,000	91.5%	26MW
B	£8,500,000	£58,000	£580,000	£60,000	£520,000	99.3%	10MW
C	£740,000	£23,300	£233,000	£220,000	£13,000	96.9%	26MW
D	£320,000	£145,000	£145,000	£0	£145,000	54.7%	150MW

A – Pre Trigger so no Wider Cancellation Liability. 100% of cancellation charge must be secured

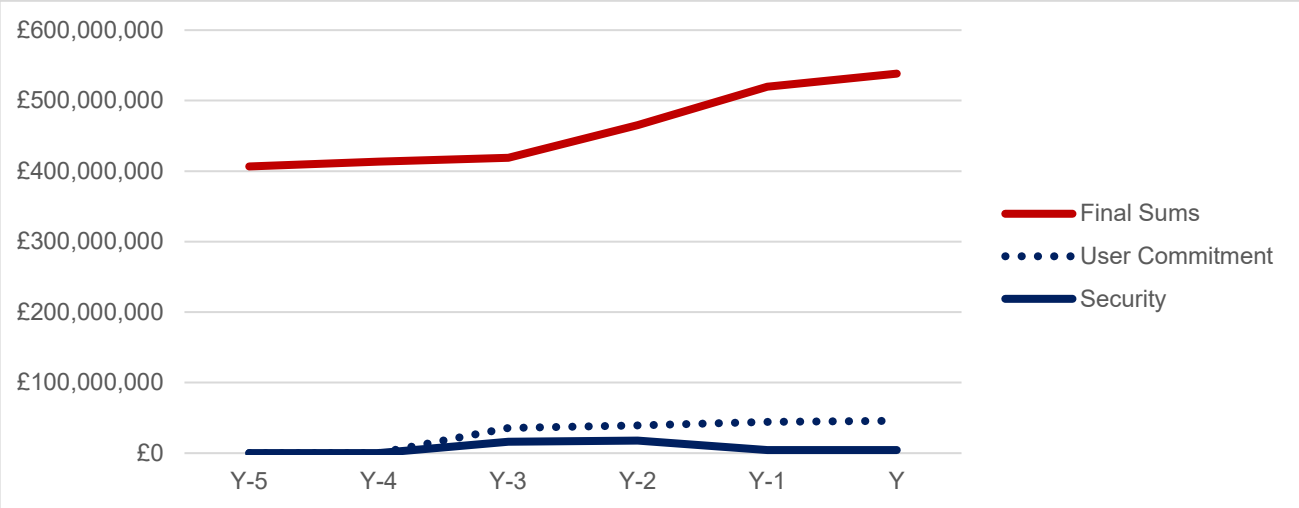
B – Post Trigger, 10% of cancellation must be secured, 1 year before connection so wider is 75%

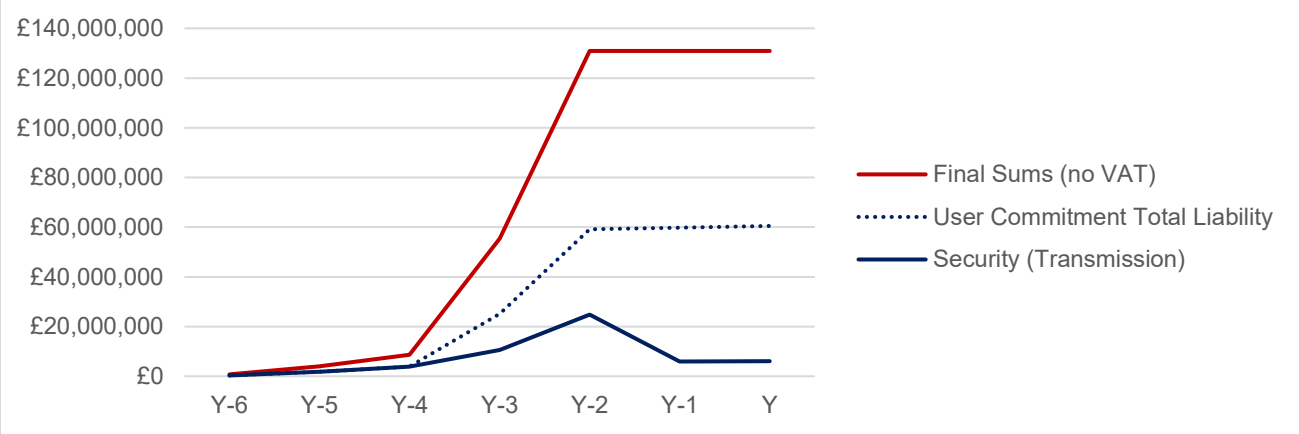
C – Post Trigger, 10% of cancellation must be secured. Year of connection so wider is 100%

D – Pre Trigger so no Wider Cancellation Liability. 100% of cancellation charge must be secured

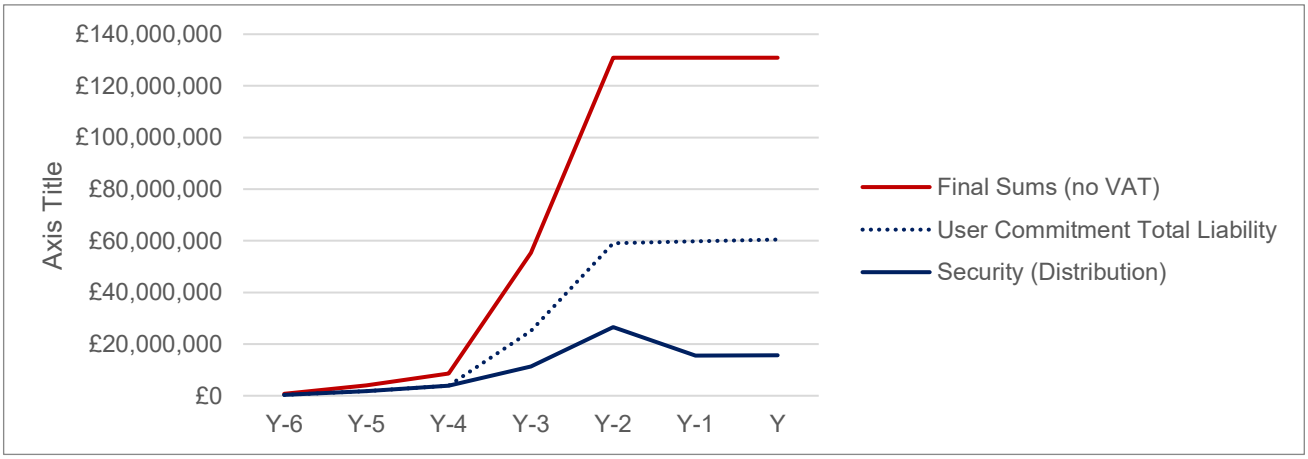
2. Timelines showing Final Sums vs User Commitment for a project over time. This has been produced in two different versions – one assuming % of liability which has to be secured based on a Transmission Project, and the other assuming a distribution connected project. The other inputs are all the same.

Transmission Connected:





Distribution Connected:



3. Additional Timeline Example showing a project with higher securities

4. Example showing an example with long connection assets predominantly built to accommodate a single connection. In this example, reduction would be expected to be less significant (due to high SIF and LARF)

    - Connection in Scotland with sole use assets installed
    - Circuits to be installed are longer than 2km so classed as reinforcement rather than connection assets
    - Assume circuits are more or less matched to site requirements – SIF is likely to be close to 100% as Circuit capability matches with Demand capability of site
    - Possible that LARF may be relatively high too – assume around 25%
    - Large Connection with a Demand capacity of 900MW
    - Assume in year of connection – liability reduction is much lower, although security requirements would still drop significantly as post trigger

Final Sums	User Commitment - Security	User Commitment Cancellation Charge	Wider Liability	Attributable Liability	Reduction (Security)
£180,000,000	£14,220,000	£142,200,000	£7,200,000	£135,000,000	92%

In addition to the above examples, a calculator has been provided in **Annex 03** to test out different scenarios.

Implementation

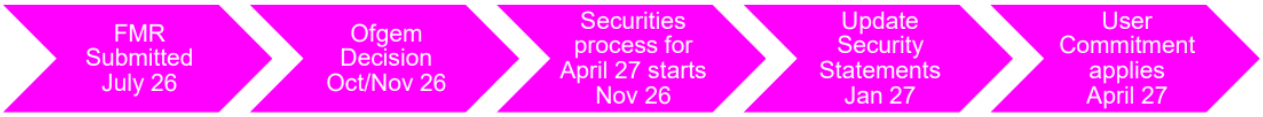
Prior to the hiatus, an implementation target date was set for July 2024 for new Users, with existing Users under Final Sums Methodology requiring a transitional period of 12 months. This would allow for contracts to be amended individually. Several Workgroup members queried whether during the transitional period the following would be waived:

- additional Final Sums payments; and
- Final Sums cancellation charges.

No updates were given prior to the hiatus on any interim arrangements.

Post Hiatus

The Proposer outlined the following potential implementation timeline, noting that dates could shift depending on when an Authority decision was made.



Following Authority decision, the following would need to be provided by TOs to NESO:

- TOs are required to identify Attributable Works for Demand schemes, and provide Demand capability and LARF for these
- Transmission Owner Construction Offers (TOCOs) to be updated with the above information (to be decided if this needs to be done before the first security window or not)
- TOs to update 6 monthly scheme spend profiles to ensure all Demand attributable schemes are included

The above information would be required by the end of December 2026 to apply CMP417 to securities for the April – September 2027 period, with security statements updated in January 2027. If this is not achievable, then implementation would be for the October 2027 – March 2028 period.

The Proposer presented some project numbers to the Workgroup which included projects that don't have a positive Demand Capacity figure for, and projects which are below 0.5MW for those which may have included a small number as a work-around:

Year	Applications	Without Demand Cap	Demand Cap below 0.05MW (or not included)
2023	153	19	26
2024	191	2	15
2025	345	3	16

The Workgroup discussed concerns about the practicalities of implementing the modification, particularly the process for revising Construction Agreements for existing schemes and the timing relative to security windows.

Interactions with STC

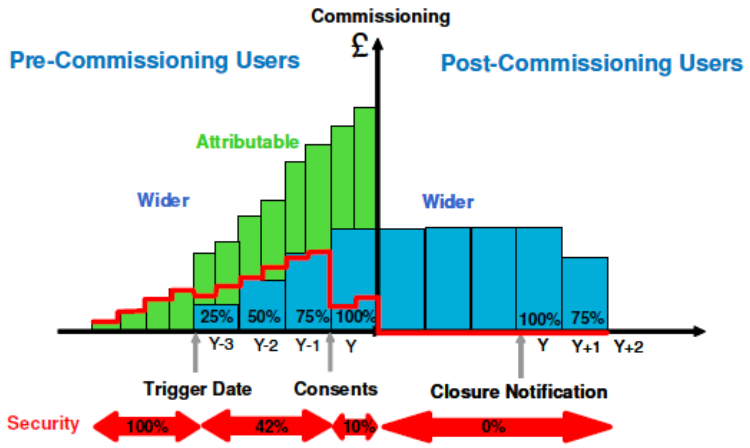
Modification CM093 was raised to deal with the required changes out of CMP417. CM093 would particularly focus on SIF and LARF for all Users and not just those currently specified in STC Section 9. CM093 was paused until feedback was provided on the CMP417 solution. Workgroups re-commenced on 14 October 2025.

The Workgroup discussed the approach to Hybrid Sites where a co-located site with generation and Demand connecting would get two security statements for the generation and Demand components. They noted that discussions would need to take place in CM093 to decipher the details of how requirements are usually driven by generation or Demand and how TOs identify scheme drivers. It was stated that it was important that TOs provide clear data whether works are import or export driven.

Security vs Liability

CMP417 proposes to use the same relationship between security and total liability as introduced for Generators in CMP192. Liability is the total of the attributable and wider cancellation charges, while security is the proportion of liability which must be secured at any point in time. Pre Trigger this is always 100%, whilst post trigger the percentage will vary based on whether it is a Transmission or Distribution Connection, and whether consents have been achieved. Post Commissioning there is no security requirement, though the wider cancellation charge can still apply.

Security Requirement		**Transmission**	**Distribution**
Pre-Trigger	Not Consented	100%	100%
	Consented	100%	100%
Post-Trigger	Not Consented	42%	45%
	Consented	10%	26%



Consideration of other options

During discussions, the Workgroup also queried whether the term 'Seven Year Statement' could be amended to 'ETYS' within the CUSC as Workgroup members believed the term was outdated. The Proposer advised that this would be out of scope of the modification due to the cross-code impacts, with the term also referenced within the Grid Code and STC.

Ofgem Letter to industry 06 November 2025

On 06 November 2025, Ofgem published an open letter to industry entitled:

"Our response to the recent surge in demand connection applications, the volume of which is misaligned with the most ambitious demand forecasts".

One of the key issues raised was the high priority attached to CMP417. The Workgroup considered the project timeline in the light of this, and a request from CUSC Panel. This resulted in a shortening of the project timeline, which was agreed by CUSC Panel. The new deadline for the FMR to be sent to Ofgem is 06 July 2026, meaning it has been brought forward by two months compared to the original timeline.

Following this Workgroup Consultation, the Workgroup Chair will be considering the contents of the letter for future discussion by the Workgroup.

Draft legal text

Legal Text Discussions

Prior to the Workgroup meeting hiatus, the Workgroup discussed and reviewed draft legal text for the solution at that point. The original approach was to have the current CUSC Section 15 as Section 15A, with an additional Section 15B to cover the arrangements for Users currently on Final Sums Methodology. This split was used due to the differences in the Proposer's solution from CUSC Section 15 (in particular not applying the Wider Cancellation Charge to Demand). The Proposer later amended the solution so that the Wider Cancelation Charge would also be included for Demand, and deemed that it was now more efficient to bring Demand into the existing Section 15 clauses rather than splitting into two sections. This would increase alignment between Generation and Demand.

The Proposer outlined that changes would be required to CUSC Section 11 to add new definitions, and to CUSC Section 15 and CUSC Schedule 2 Exhibit 3 Part 1 to extend the current provisions to be applied to Demand. They also noted that CUSC Schedule 2 Exhibit 3 Part 2 and CUSC Section 10 may need to be updated to address the stages of implementation.

The draft legal text for this change can be found in **Annex 04**.

What is the impact of this change?

Proposer's assessment against Code Objectives

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	**Identified impact**
(i) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	**Neutral**
(ii) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent	**Positive** Extending Section 15 to all Users removes the

therewith) facilitating such competition in the sale, distribution and purchase of electricity;	two-tier process between the existing security methodologies and ensures that Users have clarity over their financial securities and liabilities. This will ensure that User Commitment arrangements do not unduly restrict new developments and facilitate competition.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	**Neutral**
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	**Positive** Having a User Commitment Methodology which applies to all Users will help with the administration of 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.*

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	**Positive** Reducing security provisions for Users who are currently on Final Sums Methodology may help ensure more renewable energy is connected to the network by making connections more accessible. This will likely improve security of supply by providing more options to help balance the system.
Lower bills than would otherwise be the case	**Neutral**
Benefits for society as a whole	**Positive** Supports the electrification of Great Britan (GB) which will have a positive impact on local infrastructure.
Reduced environmental damage	**Positive** Reducing security provisions for Users who are currently on Final Sums Methodology may help ensure more renewable energy is connected to the network by making renewable connections more accessible.
Improved quality of service	**Positive** Linked to the point above, connecting more renewable energy will help the UK work towards their net zero target.

	More widely, there is industry drive to incentivise more Demand into the market to support UK PLC economic growth, development of cloud capability to meet market needs and support new housing developments particularly in London regions and surrounding suburban areas. The incentivisation of Demand supports UK progress to net zero.

When will this change take place?

Implementation date

From 10 Business Days following the Authority decision, as follows:

- Any clock started applications and modification applications will be implemented 10 Business Days from the Authority decision will begin their contracts under the User Commitment Methodology.
- Existing Users under Final Sums methodology will require a transitional period post the decision from the Authority. During this period Construction Agreements will be updated with User Commitment approach ahead of the next security window.

Date decision required by

The modification will be with The Authority for determination by, based on the plan as at today, 09 July 2026. As it is a high priority modification, as defined by CUSC Panel, it is hoped that the decision will be by September 2026, in order to deliver the implementation process set out in this report.

Implementation approach

The target is to have all Demand Users transitioned onto User security during the January 2027 securities run. This would require updated data from TOs to be provided by 31 December 2026, including Attributable Works for Demand

applications, alongside scheme capabilities and local asset reuse factors. Following this, NESO will update construction agreements for existing applications and produce updated security statements using the updated methodology. New applications received 10 days after Authority Decision will begin their contracts under the User Commitment Methodology. It is recognised that a period of around 2-3 months will likely be required between Authority Decision and full data provision from TOs to NESO.

Interactions

☐Grid Code	☐BSC	☒STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[1]	☐Other modifications	☐Other

STC and System Operator Transmission Owner Code Procedure (STCP) changes are required as a result of the removal of the Final Sums Methodology. These would be consequential modifications, bearing in mind that existing Users will remain on Final Sums Methodology in their agreements during the transition period.

CM093 was raised in November 2023 and had its first Workgroup meeting in January 2024.

How to respond

Standard Workgroup Consultation questions

1. Do you believe that the Original Proposal better facilitate the Applicable Objectives versus the current baseline?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?

[1] If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?
5. Does the draft legal text satisfy the intent of the modification?
6. Do you agree with the Workgroup's assessment that the modification does not impact the European Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?

Specific Workgroup Consultation questions

7. Do you support the inclusion of wider cancellation liability for Demand projects? (please provide details in your response)
8. Do any parts of the Original solution require additional clarification?
9. Is it clear how the Demand Capacity figure should be calculated and provided to NESO?
10. Do you believe any projects could be adversely impacted by this proposal?
11. Do you agree with the proposal to have one security statement for hybrid sites (combined generation and Demand), and do you see this posing any potential issues?

The Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to cusc.team@neso.energy using the response pro-forma which can be found on the CMP417 modification page.

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form which you can find at the above link.

If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BEGA	Bilateral Embedded Generation Agreement
BCA	Bilateral Connection Agreement
BSC	Balancing and Settlement Code
CapEx	Capital Expenditure
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
DNO	Distribution Network Operator
EBR	Electricity Balancing Regulation
ENA	Electricity Network Association
ETYS	Electricity Ten Year Statement
FMR	Final Modification Report
GB	Great Britan
LARF	Local Asset Reuse Factor
MITS	Main Interconnected Transmission System
NESO	National Energy System Operator
NETS	National Electricity Transmission System
SGT	Super Grid Transformer
SIF	Strategic Investment Factor
SME	Subject Matter Expert

STC	System Operator Transmission Owner Code
STCP	System Operator Transmission Owner Code Procedure
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TEC	Transmission Entry Capacity
The Company	National Grid Electricity System Operator Limited
TO	Transmission Owner
TOCOs	Transmission Owner Construction Offers
TNUoS	Transmission Network Use of System

Reference material

- Section 15 User Commitment Methodology
- Modifications which have moved Users to Section 15 of the CUSC:
  - CMP192 Arrangements for Enduring Generation User Commitment
  - CMP222 User Commitment for Non Generation Users
  - CMP223 Arrangements for Relevant Distributed Generators under the Enduring Generation User Commitment
- Ofgem Demand Connections update dated 06 November 2025

Annexes

Annex	Information
Annex 01	CMP417 Proposal form
Annex 02	CMP417 Terms of Reference
Annex 03	CMP417 Liabilities Calculator
Annex 04	CMP417 Draft Legal Text