Public

CMP417: Extending principles of CUSC Section 15 to all Users

Workgroup 14, 17 February 2026

Online Meeting via Teams

NESO
National Energy System Operator

WELCOME

NESO
National Energy System Operator

Agenda

Topics to be discussed	Lead
Introductions, Objectives and Actions	Chair
Review of Workgroup Consultation Responses	Chair
Proposer's Update	MC
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

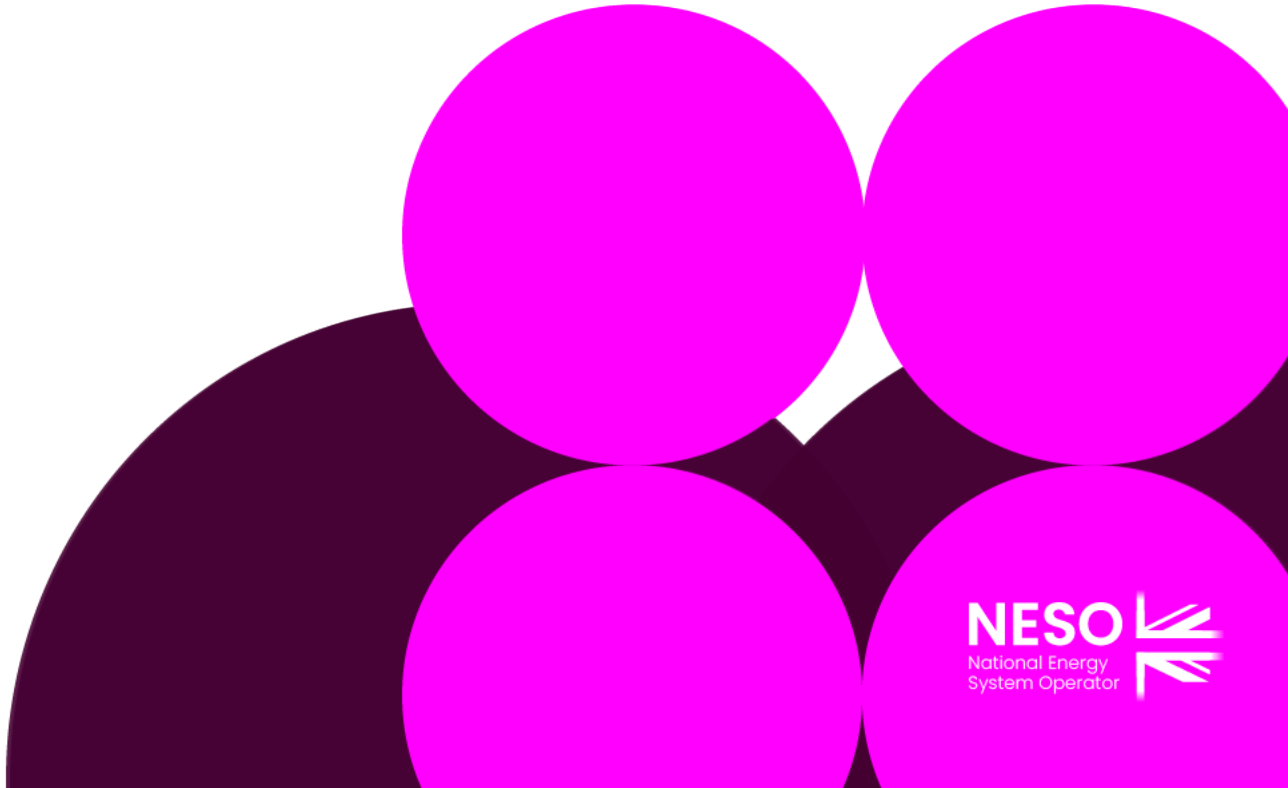
- Help refine/develop the solution(s)
- Bring forward alternatives as early as possible
- Vote on whether or not to proceed with requests for Alternatives
- Vote on whether the solution(s) better facilitate the Code Objectives

Actions Log

Action Number	Owner	Action	Update	Status
15	SN/MC	Develop a detailed implementation plan for reissuing Construction Agreements.		Open
19	MC	Query with NESO Representative whether a guidance note was produced for CMP447.		Open
20	All	Workgroup to review how the impact of DNOs effect their contracts.		Open

Workgroup Consultation Responses

Robert Hughes, Chair



CMP417 Workgroup Consultation Responses Review

Number of Responses/Alternatives	
Confidential Responses	0
Non-Confidential Responses	11
Alternative Requests Raised	0

Industry Sector Representation*	
Consumer body	
Demand	2
Distribution Network Operator	4
Generator	3
Industry body	
Interconnector	
Storage	
Supplier	
System Operator	1
Transmission Owner	2
Virtual Lead Party	
Other	1

*Please note some responses represent a number of industry sectors and this tally does not include confidential Respondents

NESO National Energy System Operator

CMP447 Workgroup Consultation Responses Review

Question	Number of Respondents			
	Objectives	Yes	No	N/A or No response
Do you believe that the Original Proposal better facilitates the Applicable Objectives?	i	1		10
	ii	7		4
	iii	0		11
	iv	8		3
Do you support the proposed implementation approach?		6	5	0
Does the draft legal text satisfy the intent of the modification?		8	3	0
No respondents raised Workgroup Alternative Requests during the Workgroup Consultation.				
No respondents indicated that they disagreed 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 CUSC.				

CMP417 Standard Workgroup Consultation Responses Review

Key Points (1)

- 1 respondent agreed that the original solution better facilitates objective (i)
- 7 respondents agreed that the original solution better facilitates objective (ii)
- 8 respondents agreed that the original solution better facilitates objective (iv)
- 6 out of 11 Respondents support the proposed implementation approach (but there was general support for the principles of the modification itself)
- 8 Respondents believe the legal text satisfies the intent of the modification
- 0 respondents believed there are EBR impacts
- The key issues in support of the modification raised by a large number of respondents are:
  - Levelling the playing field for demand projects
  - Simplification of the securities process, with reduced administration
  - Removing the barrier to entry for demand projects and improved competition

CMP417 Standard Workgroup Consultation Responses Review

Key Points (2)

- No respondents argued against the principles of the modification, however the details of the implementation raised various areas of clarification and further discussion
- The single most common issue raised was about the implementation process for the modification
- A group of respondents who were strongly in favour of principles of this modification raised the issue of notice required for them to update the data on agreements. They were supportive of a commencement date of January 2027, but warned that sufficient notice, 3 months on average, would be needed between approval by Ofgem and the implementation start date
- One respondent wanted to see the implementation done before further Gate 2 offers were issued

CMP417 Specific Workgroup Consultation Responses Review

Q7 Do you support the inclusion of wider cancellation liability for Demand projects?

- 100% of respondents supported this
- Reasons for this included:
    - Shared causation for wider works
    - Part of the intrinsic principle of fairness in the modification
    - Demand projects can have as much impact on the need for network reinforcement as generation

CMP417 Specific Workgroup Consultation Responses Review

Q8 Do any parts of the solution require additional clarification?

- 4 out of 11 respondents answered “Yes” to this question
- Reasons given included:
    - More needs to be discussed on implementation timescales
    - Further clarification is required in relation to the transitional arrangements for customers affected by the move from the Final Sums methodology to the revised approach
    - It is unclear whether a cancellation charge will be applied in the event generation is reduced where the primary use of the connection site is demand
    - a fuller illustration of how the wider zonal amount accounts for demand and generation works would be useful

CMP417 Specific Workgroup Consultation Responses Review

Q9 Is it clear how the Demand Capacity figure should be calculated and provided to NESO?

- 3 respondents answered “No” to this question
- Issues raised include:
  - In the case of directly connected Distribution Systems, we believe Demand Capability should be a GSP Demand Capability that the DNO deems efficient to request given its licence obligations
  - There is mention of ‘specific point in time’ but is unclear at which point this would be taken
  - It is not clear what happens if NESO and the User cannot agree on a value for Demand Capability

CMP417 Workgroup Consultation Responses Review

Q10 Do you believe any projects could be adversely impacted by this proposal?

- 4 respondents answered “Yes” to this question
- Responses included:
  - There may be Users adversely impacted short term (with long term consequences) dependant on the timing of this mod being approved/implemented versus when they receive their gate 2 offer
  - If a consistent methodology is not applied (across DNOs) or there is not clear guidance, then Embedded Users could be adversely impacted by the proposal
  - An increase in applications due to the lower security burden is a risk of this proposal, which would result in less capacity being available to other projects (both generation and demand)
  - DNOs should not have to pay securities for forecast demand growth. It is possible their Demand Capability could be reduced due to various environmental, social, and policy changes

CMP417 Workgroup Consultation Responses Review

Q11 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?

- 100% of respondents replied “Yes” to this question
- Responses included:
    - As a connected User has one Bilateral Connection Agreement (BCA) with NESO for each specific Connection Site, it is entirely appropriate that the one BCA deals effectively and comprehensively with the entirety of the User’s connection and access requirements
    - Yes, however I do not agree with the proposed use of the highest MW figure. The security should be based on electrical impact of the connection, based on power systems principles
    - It is the most practical method for hybrid sites rather than two separate statements. We also agree with the highest MW rating between the Export and Import being used is the sensible approach
    - There are issues that need to be overcome to make this workable:

    - Calculating a cancellation charge if non-dominant use of the connection site is reduced.

    - Over-securitisation due to Inaccurate Strategic Investment Factor (SIF). For example, if reinforcement works are included to accommodate demand capacity, but due to the generation capacity being higher, this is used to calculate the SIF.

CMP417 Workgroup Consultation Responses Review

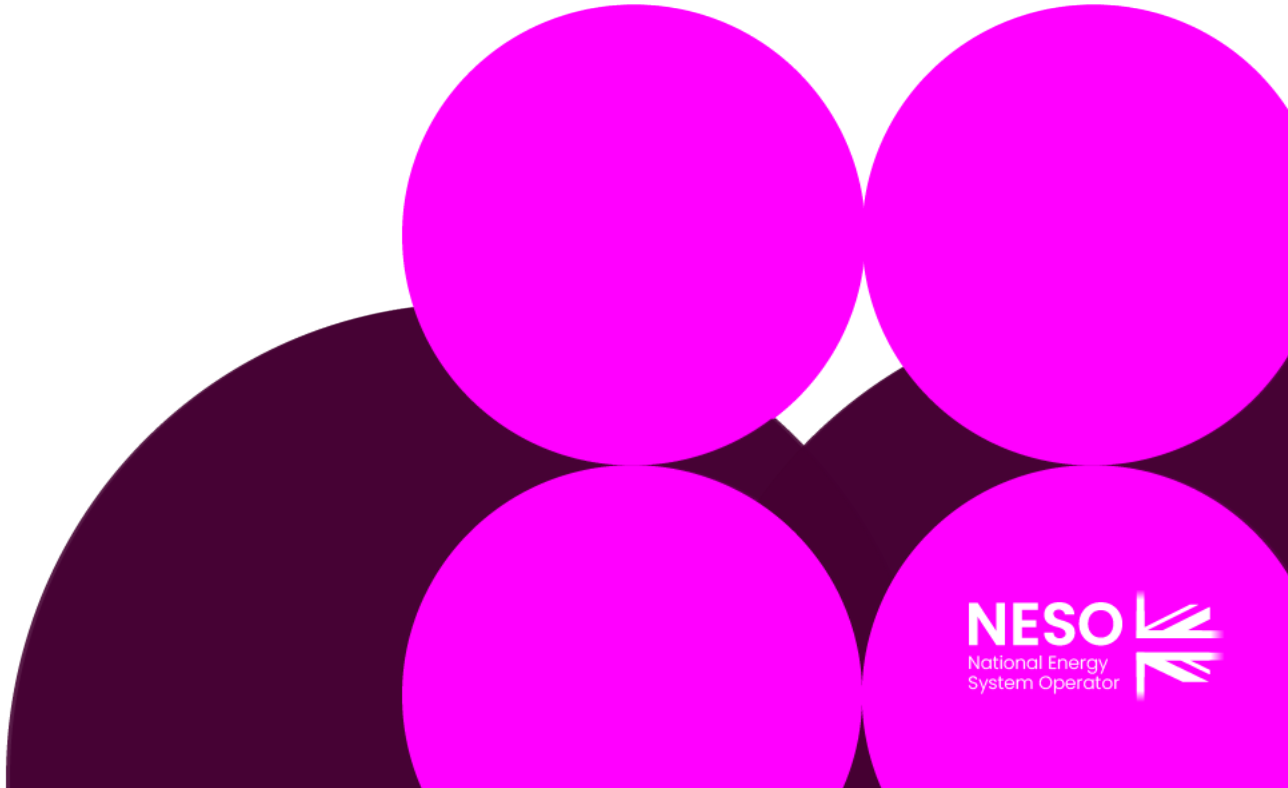
Key concerns

- The process and timescale for the implementation of the revised method was the main concern raised
- Process – guidance needed for demand users, especially existing ones to manage the transition
- Timescale:
    - co-ordination with remaining “Gate2 “ offers
    - Sufficient notice for TOs and DNOs to update customer data in time for a start date of January 2027 securities run
    - Plea to Ofgem by many respondents to approve the modification as soon as possible

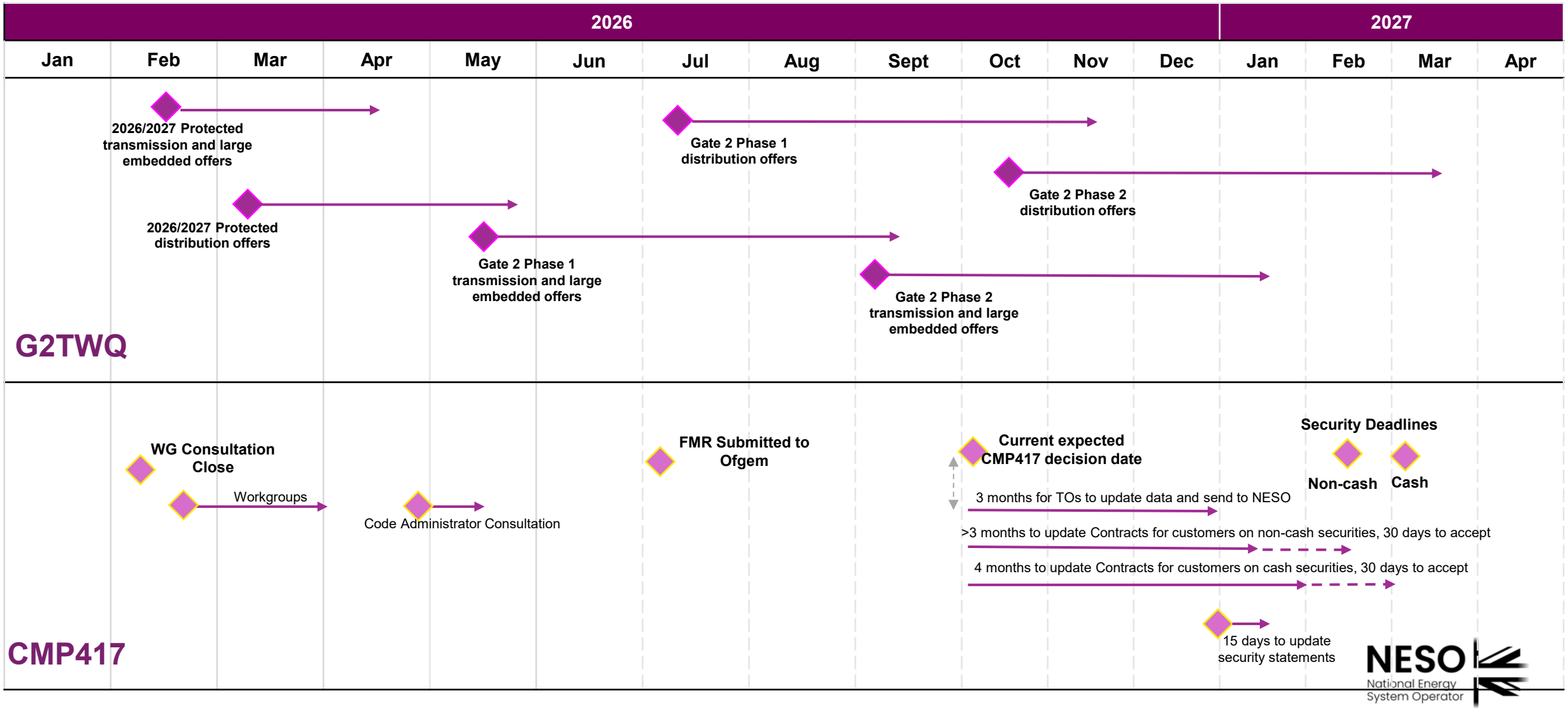
- Two respondents raised concerns that there was a risk of a flood of non-viable demand schemes coming to market, with this being mitigated by pipeline management process with the criteria of viability and strategic alignment
- Some respondents raised detailed issues on a range of subjects, including:
    - Cancellation charges
    - Load forecasting
    - Impact on Zonal Unit Amount
    - Implementation guidance
    - More clarity for hybrid schemes

Proposer's Update

Martin Cahill – NESO



CMP417 Timeline and G2TWQ Interaction



Hybrid Site Feedback

- Attributable Works A and B are required to accommodate generation and demand
- Attributable Works C are only required for generation
- Security calculated using 500MW Demand Capacity (as highest component)

- What if Generation only is cancelled? Attributable Works C are no longer required for this site, but MW value has not reduced – still 500MW
  - How likely is this? Works required for generation but not demand (or vice versa)
  - Should there be an additional step to ensure that there is some recovery for these works?
  - Should it only matter if Attributable Works C had to be cancelled completely?

Hybrid
250MW TEC
500MW
Demand

NESO
National Energy System Operator

Legal Text Updates

- Some errors spotted in consultation responses to be corrected
- Splitting of “Demand Capacity” and “Embedded Demand Capacity” terms
- Use of “Distributed Demand” term
- Updates to construction agreement template
- Use of “Associated DNO Construction Agreement”
- Add hybrid site details

Legal Text Updates

Demand Capacity definitions:

"Demand Capacity"	means for the purpose of **CUSC Section 15**, or a direct connection to the **National Electricity Transmission System** this will be the figure specified as such or the **Connection Site Demand Capability** set out in the **Bilateral Connection Agreement.** Where this is not expressly provided for in **the Bilateral Connection Agreement**, this will be either as the figure requested in the **Connection Application**, or if not agreed as such the figure as agreed between **NESO** and the **User**;
"Embedded Demand Capacity"	for the purpose of **CUSC Section 15**, for **Distributed Demand** this will be the demand figure set out in Appendix [O] of the **Construction Agreement**;

Legal Text Updates

Distributed Demand:

- After further review with legal, propose to use this term instead of “Relevant Embedded Demand” – but for the same purpose

“Distributed Demand”	means for the purposes of **CUSC Section 15**, this a connection of demand to a **Distribution System** which is the subject of a **Modification Application**.

Relevant Embedded Demand (current definition)

an individual Embedded Demand connection that the User who owns or operates the Distribution System to which the individual Embedded Demand connection intends to connect reasonably believes may have a significant system effect on the National Electricity Transmission System

Legal Text Updates

Construction Agreement

SCHEDULE 2 EXHIBIT 3

PART 1

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, (iii) 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

Please note that as the Connect and Manage Arrangements do not apply to Interconnectors, this construction agreement will be adapted accordingly to reflect that, other than in the context of the Cancellation Charge arrangements, it will be based on the form at PART 2

Please note that the Queue Management Process will not be applied and included in (i) Construction Agreements with an Embedded Power Station relating to a Bilateral Embedded Generation Agreement or (ii) in Construction Agreements with the owner/operator of a Distribution System directly connected to the National Electricity Transmission System where the Construction Agreement is required because of a connection to that Distribution System and the Distribution Queue Management Process applies.

SCHEDULE 2 EXHIBIT 3

PART 2

For use with Users other than in the categories referred to in PART 1

Please note that the Queue Management Process will not be applied and included in Construction Agreements with the owner/operator of a Distribution System directly connected to the National Electricity Transmission System where the Construction Agreement is required because of a connection to that Distribution System and the Distribution Queue Management Process applies

INDICATIVE

Legal Text Updates

New definition:

"Associated DNO Construction Agreement"	a **Construction Agreement** between **The Company** and a **User** in the category of a **Distribution System** directly connected to the **National Electricity Transmission System** in respect of works required on the **National Electricity Transmission System** as a consequence of the connection of **Distributed Generation** or **Distributed Demand** to the **Distribution System**;

PART ONE INTRODUCTION

1 Where (a) a **Construction Agreement** and/or a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** between a **User** ~~in respect of the categories specified below~~ and **The Company** is terminated or (b) there is a reduction in **Transmission Entry Capacity** or **Demand Capacity** ~~-~~by or in respect of such **User** or (c) there is a reduction in **Developer Capacity** or **Embedded Demand Capacity** in an ~~**Construction Agreement**~~**Associated DNO Construction Agreement** prior to the **Charging Date**, or (d) there is a reduction in **Interconnector User Commitment Capacity** by or in respect of such **User,** such **User** shall pay to **The Company** the **Cancellation Charge** calculated and applied in accordance with Part Two of this Section 15

9 **Distributed Generation** and **Distributed Demand**

Users with an **Associated DNO Construction Agreement** ~~in the category of (c) above~~ are liable for the **Cancellation Charge** (or

where ~~the~~ the works have been triggered by **Distributed Generation** ~~has~~ with a **Bilateral Embedded** ~~-~~**Generation Agreement**, the **Attributable Works Cancellation Charge** component of the **Cancellation Charge**) on a reduction in **Developer Capacity**, **Embedded Demand Capacity**, (or in the case of **Distributed Generation** with a **Bilateral Embedded Generation Agreement, Transmission Entry Capacity**) ~~(or in the case of Distributed Generation with a Bilateral Embedded Generation Agreement)~~

~~**Transmission Entry Capacity**~~ and/or termination of the **Construction Agreement** between **The Company** and the **User**. Given this such **Users** will

Legal Text Updates

- Attributable Works definition – missing DNO

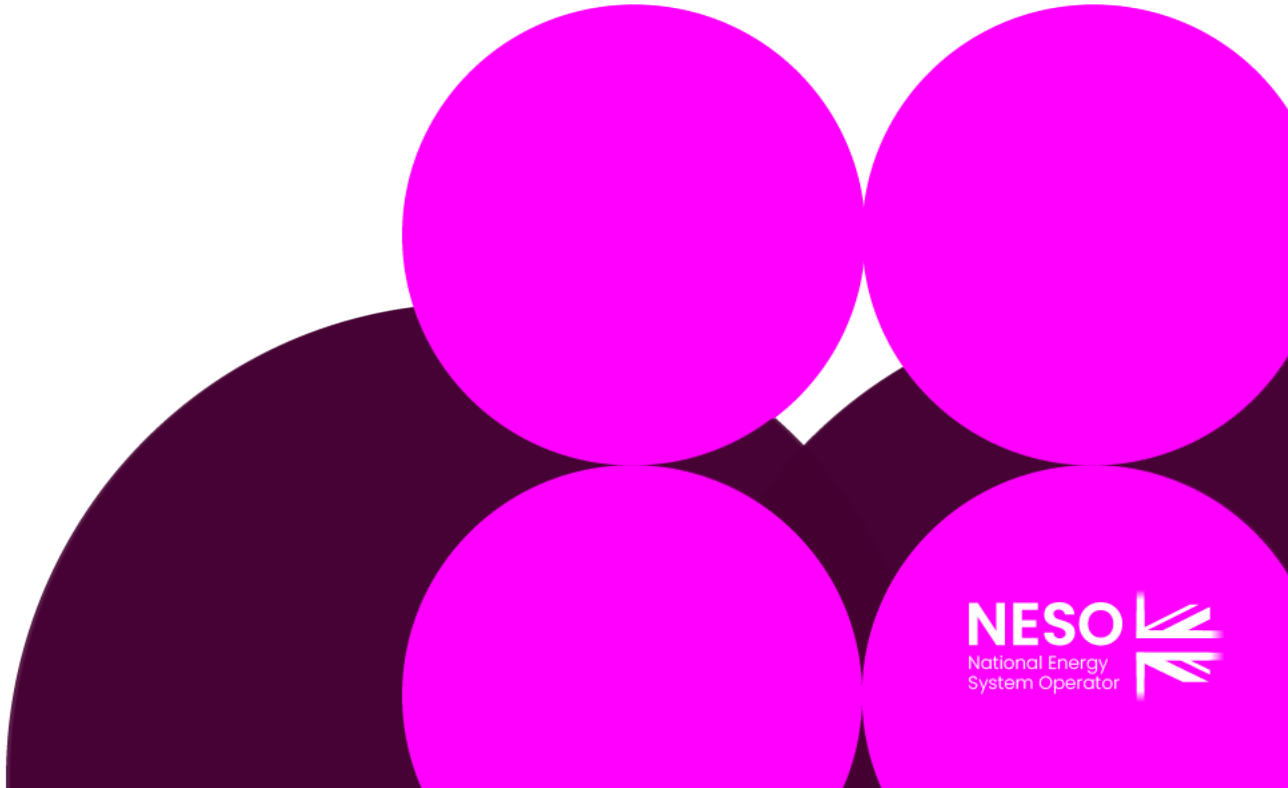
"**Attributable Works**"	those components of the **Construction Works** which are required (a) to connect a **Power Station**, **Distribution System** directly connected to the **National Electricity Transmission System**, **Non-Embedded Customer**, or **Interconnector** which is to be connected at a **Connection Site** to the nearest suitable **MITS Node**; or (b) in respect of an **Embedded Power Station** or **Distributed Demand** from the relevant **Grid Supply Point** to the nearest suitable **MITS Node;** (and in any case above where the **Construction Works** include a **Transmission** substation that once constructed will become the **MITS Node**, the **Attributable Works** will include such **Transmission** substation) but excluding in each case (a) and (b) any **{Excepted Works}**, and which in relation to a particular **User** are as specified in its **Construction Agreement**;

- Security Arrangements – not defined

9.2.2 the **User** shall put **Security Arrangements** in place in respect of its **Construction Agreement** in accordance with **CUSC** Section 15 to be effective from the start of that **Security Period** to the next following 31 March or 30 September (whichever is the earlier).

Timeline and Terms of Reference

Robert Hughes– NESO Code Administrator



CMP417 Timeline – Updated November 2025

Milestone	Date
Workgroup 14	**17 February 2026**
Workgroup 15	10 March 2026
Workgroup 16	31 March 2026
Workgroup 17	none
Workgroup Report to Panel	16 April 2026
Panel for ToR sign off	24 April 2026
Code Administrator Consultation (15 Business Days)	28 April 2026 – 19 May 2026
Draft Final Modification Report (DFMR) issued to Panel	18 June 2026
Panel undertake DFMR recommendation vote	26 June
Final Modification Report issued to Panel to check votes recorded correctly (5 Business Days)	26 June – 03 July
Final Modification Report issued to Ofgem	06 July
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

Robert Hughes – NESO Code Administrator