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## Workgroup Consultation Response Proforma

### CMP460: Improving Transmission Connection Asset Charging

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 [usc.team@neso.energy](mailto:usc.team@neso.energy) by **5pm** on **18 February 2026**. 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 [usc.team@neso.energy](mailto:usc.team@neso.energy)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Matthew Paige-Stimson	
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<b>Email address:</b>	Matthew.paige-stimson@nationalgrid.com	
<b>Phone number:</b>	Click or tap here to enter text.	
<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input checked="" 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)

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

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### **For reference the Applicable CUSC (charging) Objectives are:**

- d) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution, and purchase of electricity;*
- e) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C11 requirements of a connect and manage connection);*
- f) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business\*;*
- g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*\*; and*
- h) Promoting efficiency in the implementation and administration of the system charging methodology.*

*\* See Electricity System Operator Licence*

*\*\*The Electricity Regulation referred to in objective g) 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, (for consultation question 5) 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;*
- 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;*

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- 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.

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

Standard Workgroup Consultation questions				
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives versus the current baseline?	<p>Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:</p> <table border="1"> <tr> <td>Original</td> <td> <input type="checkbox"/>d <input type="checkbox"/>e <input type="checkbox"/>f <input type="checkbox"/>g <input type="checkbox"/>h <input checked="" type="checkbox"/>None </td> </tr> </table> <p>While we recognise many of the problems raised by the proposer, the proposal does not better meet any of the Objectives.</p> <p><b>Competition (Objective D) &amp; Cost reflectivity (Objective E): NEGATIVE</b>  The proposal would weaken competition by removing cost-reflective signals. When embedded generators no longer face the transmission costs they trigger (if DNOs were to no longer face those costs), then costs will instead shift on to consumers through the Transmission Demand Residual (TDR). This reduces the incentive for generators to connect at the appropriate network level and moves recovery towards a broad non-reflective socialised charge. As a result, embedded generators would trigger transmission works (via their DNO) but face lower costs, while transmission connected generation and final consumers would bear a greater share of costs they do not cause or benefit from.</p> <p>We also consider that shared use classification will impact on Contestability and on contracting and securities processes for replacement of assets currently classified as Connection Assets. Aside from the material issues for the User and for consumer risk, there are significant s15 securities and STC processes that as yet have not been considered by the working group, which will need to be further developed to form a complete, and comprehensively impact assessed, solution. We provide more details in Q3.</p> <p><b>Developments in the transmission business (Objective F): NEGATIVE</b>  The proposal would move recovery of user-driven local transmission connection works into TNUoS – rather than directly charging the parties that trigger the works. This would result in consumers funding assets that are not driven by their demand, meaning the methodology would no longer align costs with underlying “developments in transmission licensees’ transmission businesses and the ISOP business”.</p>	Original	<input type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input checked="" type="checkbox"/> None
Original	<input type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input checked="" type="checkbox"/> None			

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		<p><b>Efficiency and administration (Objective H): NEGATIVE</b></p> <p>The proposal is likely to reduce efficiency by adding complexity to TNUoS. Ofgem has explicitly recognised that the existing TNUoS methodology is “viewed as unpredictable and volatile”<sup>1</sup>. Introducing additional local TNUoS charge elements is likely to be a necessary substitute for connection charges and this would increase complexity, rather than aligning with Ofgem’s intention to simplify the charging framework. It is likely that DNOs would need to become directly liable for some elements of local TNUoS charging to ensure that cost-reflective behavioural signals are maintained. We consider that the proposed solution is therefore incomplete without including changes to the local TNUoS charge element structure and parties who are liable for those charges. When contrasted to the certainty and simplicity arising from connection asset value based charging, the proposal may result in a less certain outcome for CUSC Users.</p> <p><b>EBR (Objective G): NEUTRAL</b></p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>We do not agree there is a demonstrated need for the solution proposed.</p>
3	Do you have any other comments?	<p>• <b>CUSC is the wrong Code to fix a DNO “recharging” problem</b></p> <p>We note that DCUSA DCP461 is underway in parallel and is more directly considering improvements on how the cost of transmission connection works required by the DNO is proportioned by them between its consumers and its connecting customers.</p> <p>The stated defect of high allocation of DNO required, of cost reflective, transmission cost recovery, from DNO customers is quite clearly a DCUSA Common Connection Charging Methodology (CCCM) matter.</p> <p>This CUSC proposal, to remove connection charging, equates to the “hiding” of the current cost reflective recovery from the triggering party (DNO in this case), rather than properly and correctly addressing at</p>

<sup>1</sup> <https://www.ofgem.gov.uk/publications/reforming-network-charging-signals-align-future-design-great-britains-electricity-system>

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		<p>source the underlying defects within 1) DCUSA CCCM and 2) uncertainties over RIIO ED funding of efficient and necessary changes in transmission exit charges following transmission works for the DNO.</p> <ul style="list-style-type: none"> <li>• <b>Need for clarity on stated issues</b></li> </ul> <p>There are two separate issues that have been conflated within this change proposal that should be addressed completely independently at their own appropriate pace.</p> <ul style="list-style-type: none"> <li>• <b>High upfront re-charging of transmission work by DNOs:</b></li> </ul> <p>This problem does not stem from a CUSC defect but is the result of DNO charging methodologies and practices, further constrained by RIIO-ED funding arrangements.</p> <p>CUSC already provides Users with default annualised connection charging, i.e. no mandatory upfront capital contributions required. In addition, CUSC already allows User choice to make partial capital contributions, so supports proportioned capital repayment.</p> <p>These arrangements under CUSC 14.3.10-14.3.12 mean the CUSC already contains all the arrangements necessary to avoid large upfront charges having to be made by a DNO.</p> <p>As such, this issue does not require a material CUSC change.</p> <ul style="list-style-type: none"> <li>• <b>Shared infrastructure sites:</b></li> </ul> <p>There has been no evidence presented within the working group that the current absence of transmission connection charging on shared transmission substations presents a barrier to entry for embedded users connecting within related distribution systems.</p> <p>Moving to full TNUoS socialisation where there is no connection cost impediment, and specifically ahead of Ofgem's review<sup>2</sup>, without a full consideration of far broader consequences, would be inappropriate.</p> <p>We note from discussions and publications from Ofgem that concerns have arisen over the consequences of users sharing substations and the resultant loss of localised connection charging</p>
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<sup>2</sup> <https://www.ofgem.gov.uk/publications/reforming-network-charging-signals-align-future-design-great-britains-electricity-system>

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		<p>signals under the current charging methodology, leading to recovery of industrial customer driven cost from consumers.</p> <p>Ofgem has made explicit reference to considering the need for “deeper” charging, which we believe points to the need to retain some form of local connection cost charging of connected users, whether connecting at shared use or sole use substations. We believe the proposed solution is divergent from the indicated direction of travel as regards charging structure needs.</p> <ul style="list-style-type: none"> <li> <b>Impact on Contestability</b> <p>The proposer’s solution to categorise more transmission assets as shared use will have implications for the opportunities for contestable transmission asset construction by CUSC Users, having consequences for competition and for how transmission work may be efficiently delivered.</p> </li> <li> <b>Impact of local asset replacement signals and processes</b> <p>The baseline Connection Asset replacement process involves Users accepting bilateral connection agreement modifications for proposed sole use asset replacement works. The user is commercially liable for the cost of the replacement connection asset works, via securities during construction, subsequent ongoing connection charges and ongoing securities that cover the replacement connection assets’ remaining net asset value.</p> <p>The proposal to classify such assets as Infrastructure will remove all of these important User commitment signals, reducing the User’s exposure should the User requirements change. It is likely that this proposed solution should include additional code alterations, e.g. to s15 User Commitment, to secure the cost of replacement of local “sole use” Infrastructure Assets needed by a single CUSC User, in order to protect consumers.</p> <p>Processes relating to replacement of sole use transmission assets will also require change, as the proposal will lead to assets no longer being governed by the current connection asset categorisation driven replacement processes. Connected User’s do not have direct agency on the need and replacement of</p> </li> </ul>
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		<p>Infrastructure Assets and the implications of this need further consideration as part of the proposed solution.</p> <p>Without further changes, the proposal risks consumers being more exposed to consequence of User terminations or alterations.</p> <ul style="list-style-type: none"> <li> <b>Gaming Risk</b> <p>Assets required solely for a single directly connected User should not be classified as shared because that User's aggregation of downstream use of their directly connected network or installation. The proposed approach creates precedent risk and significant scope for gaming by various CUSC User types (e.g. one or more embedded demand user within a generator's transmission connection, one or more embedded generation within a demand user's transmission connection), potentially leading to further TNUoS socialisation and avoidance of charges for transmission connection costs triggered by the needs of the directly connected transmission User.</p> </li> </ul>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the <a href="#">Workgroup Consultation</a> Section)</p> <p><input checked="" type="checkbox"/> No</p> <p>We believe there may be merit in the workgroup considering refinement to existing CUSC 14.3.12 provisions, noting that cross code impacts arising from proposals for proportioning of DNO recharging of costs being considered under DCUSA DCP461 might need such change.</p> <p>We are clear that the underlying defects are in DCUSA CCCM and in RIIO ED funding uncertainties as regards transmission exit charges. We have noted that CUSC does not have any material defect that forces a DNO to pay in full upfront for transmission connection assets.</p> <p>However, a minor numerical amendment to CUSC 14.3.12 would enable a DNO (in support of a more refined DCUSA DCP461 CCCM methodology) to make smaller contributions towards transmission connection assets if required could be beneficial.</p> <p>It would seem inefficient, potentially, to have to raise a new CUSC modification proposal, post DCP461, with consequent delays. However we</p>



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### Standard Workgroup Consultation questions

		<p>note that the need for such refinement may be contingent on the actual outcome of DCP461.</p> <p>We consider that enabling smaller downstream customer requirements that trigger a transmission upgrade to be better supported would be beneficial. For example, a minimum 1% capital contribution limit would support a 5MW customer triggering a 460MW SGT upgrade. Without amending CUSC 14.3.12, a 5MW DNO User may, using this example, currently have to contribute 10%, as if a 46MW User of the 460MW works, even if their MW proportioned use was only 1%.</p> <p>We note that such a refinement of the existing CUSC mechanism does not directly address the main developer concern of high upfront recharging of transmission works, but would better position CUSC to support necessary improvements to proportional DCUSA CCCM recharging by the relevant DNO, while also;</p> <ul style="list-style-type: none"> <li>• retaining cost reflectivity of transmission cost recovery via annual connection charges from the DNO;</li> <li>• avoiding complexities of socialisation and broader TNUoS impacts;</li> <li>• avoiding interference with Ofgem’s proposed wider review of transmission network charging.</li> </ul> <p>The type of change we envisage may be required is as shown below.</p> <p>“14.3.12 A User can choose to make a capital contribution based on the allocated and depreciated NAV of a commissioned asset. For a capital contribution to take account at the start of <b>Financial Year</b> n, the User may, at most once per year, make a full or partial capital contribution of at least <del>10%</del> <b>1%</b> of the NAV prevailing as of 31st March in year n-1. The User shall notify <b>The Company</b> of the capital contribution amount no later than 1st September in year n-1, and pay the capital contribution 45 days prior to the start of <b>Financial Year</b> n which will be applied to the NAV prevailing at the start of year n. As the capital component of the connection charge for year n will reduce as a result of the capital contribution, a reduced rate of return element will be payable and a lower security requirement will be required in <b>Financial Year</b> n and subsequent years. ”</p>
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### Standard Workgroup Consultation questions

5	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
		We agree that the modification does not impact EBR Article 18 terms and conditions.

### Specific Workgroup Consultation questions

6	Do you agree with the Proposer's view on when the new definition of Infrastructure Assets and Connection Assets should be applied to new and existing connection agreements, and therefore amend the connection charges in a User's agreement?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p><b>Unclear that there is an investment issue</b></p> <p>We are unclear that there would be a negative impact to customers from the proposal applying to existing connections, given that the effect is to remove connection charges from the connected CUSC Users, always reducing their risk.</p> <p>We have noted earlier that contestability in connection assets will be impacted by this proposal, and how contestable works in flight are managed prior to delivery and charging categorisation on first use requires further consideration.</p> <p><b>Volatility in timing of TDR impact</b></p> <p>As noted in the earlier questions, if the proposal were implemented, it has significant impact on the consumer through the TDR.</p> <p>Whilst an immediate complete implementation to all relevant existing "shared" connection sites would be more impactful, greater certainty would result.</p>

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### Specific Workgroup Consultation questions

		<p>We consider that the proposed transition only for new connection agreements (we assume including Modification Applications for existing sites?), as and when those agreements occur, would result in more volatile and uncontrolled transition, more administrative burden in the regulatory price control space, and would not provide appropriate certainty for consumers.</p> <p><b>Volatility in timing of adjustments to RIIO ED price control</b></p> <p>We also note that ending of connection charges, of which the majority relate to DNO connections, and given their magnitude across GB, would likely require a comprehensive adjustment to distribution price controls to clearly and completely remove funding covering transmission charges no longer received, were connection charging not substituted by local TNUoS element charges levied to the same directly connected User.</p> <p>We believe, a single complete implementation is required to protect the consumer from disbenefit from residual RIIO ED transmission exit charge funding remaining in place when transmission exit charges cease to be made. We do not consider that making such changes in funding on a site by site basis would be practical or efficient.</p>
7	Is moving the cost to Transmission Demand Residual (TDR) reasonable?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Socialising local connection costs onto consumers, through the TDR, removes cost-causal signals from directly connected Users who requests(needs) the investment and undermines efficient transmission system development.</p>

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**Specific Workgroup Consultation questions**

		<p>Given the more general trend to efficiently connect multiple industrial users at shared transmission substations, we do not consider it appropriate for solutions to develop that place greater balance of recovery on demand consumers, subsidising other Users connections.</p> <p>We believe that protecting demand users from increases in TDR should form an important aspect of Ofgem’s proposed transmission network charging review in light of developments in transmission.</p>
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