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## CUSC Alternative Form – Charging

# CMP445 Alternative Request 3: Pro-rating first year TNUoS

**Overview:** The proposed alternative includes the Original proposal and builds upon this by providing certainty to Generators which connect part way through a charging year from 1<sup>st</sup> April 2026 that, TNUoS will be Pro-Rata'd irrespective of whether they have connected before any decision on this modification is made by the Authority.

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☒ I/We confirm that this Alternative Request proposes to modify the charging section of the Connection and Use of System Code (CUSC) only

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## What is the proposed alternative solution?

On 6<sup>th</sup> February Ofgem wrote an open letter<sup>1</sup> to the industry on the matter of *"Update on delays to connection dates for some TMO4+ Protected Projects"*. In this letter Ofgem confirmed that:

*"The final lists of affected Protected Projects [those connecting in calendar years 2026 or 2027] we received highlighted that across the three TOs, 340 projects qualified for this form of Protection in total. Of these, 210 projects (representing 62% of all projects qualifying) are affected Protected Projects that will have their existing connection date and / or point of connection changed."*

Ofgem went on to note that:

*"...around 135 of these projects will have their connection dates delayed due to some form of network-driven reason (either solely or jointly with developer delays)"*

It therefore follows that a substantial number of projects that are due to connect in the 2026/27 Financial Year will (i) be connecting later than they had expected at the time they sign their connection agreements and (ii) that the *"connection dates [are] delayed due to some form of network-driven reason"*.

However, as currently proposed, the Original will be implemented on **1<sup>st</sup> April 2027** (so after the 2026/27 Financial Year has finished). Given the 'frustration and disappointment'<sup>2</sup> that this delay has caused to both Ofgem and connecting parties, it would be appropriate, in this exceptional case, to bring forward an Alternative that provides a suitable solution for those connecting in 2026/27 to have the pro-rata approach (as introduced by CMP445) available to them but at the same time not adversely impact about NESO.

Accordingly, this Alternative solution incorporates the Original and seeks to codify that any Generators which connect from 1<sup>st</sup> April 2026 but not for a full year, will have their TNUoS pro-rata'd on a Daily Basis, even if they connect before the Authority has made a decision on this modification.

<sup>1</sup> Ofgem Response on Protected Projects Relief Request

<sup>2</sup> From page 4 of the Ofgem 6<sup>th</sup> February letter: *"We are both frustrated and disappointed that it is not possible for TOs and NESO to meet existing connection dates and points of connection for all projects qualifying for this Protection, particularly given the widely recognised importance of ambitious and reliable connection dates."*

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Each generator connecting after 1<sup>st</sup> April 2026 ('mid-Year'); but before any Authority Decision (known as Generators A), will continue to be charged a full year of TNUoS for 2026/27 as per the Baseline. A calculation will be made showing what TNUoS has actually been paid and what would/should have been paid if TNUoS had been pro rata'd for the Financial Year 2026/27 (based on the CMP445 solution). If or when CMP445 is approved the difference between current Baseline and what would have been charged if CMP445 had been in place at the time of connection is then returned either (a) via reduced TNUoS charges for the 2027/28 Financial Year for those Generators A or (b) via the Generation Reconciliation carried out at the end of the 2027/28 Financial Year. The 2027/28 reconciliation has been chosen as choosing the reconciliation for 2026/27 impacts upon underrecovery for 2026/27 whereas if undertaken in 2027/28, this can be taken into account in charge setting for 2027/28.

## What is the difference between this and the Original Proposal?

Currently if the Authority were to approve this modification say on the 1<sup>st</sup> June 2026, but a Generator connected on the 31<sup>st</sup> May 2026 the Generator would be liable for a full 2026/27 Financial Year's TNUoS as they connected under the current baseline. If its implemented on the 1<sup>st</sup> April 2027 then all Generators connecting mid year in 2026/27 will be impacted. This Alternative; reflecting on the fact that *"connection dates [are] delayed due to some form of network-driven reason"*; seeks to allow for this change to be applied 'mid-year' within the 2026/27 Financial Year.

We recognise with this Alternative, that there is a risk that Generation TNUoS Charges may appreciably under recover if the TNUoS methodology were to be altered 'mid year' through the 2026/27 Financial Year and after the charge have been set. By allowing, with this Alternative, the pro-rating of TNUoS (with any overpayment, to relevant Generators to be returned at a later date) this protects the cashflow effects for NESO whilst ensuring Generators (whose *"connection dates [are] delayed due to some form of network-driven reason"*) to be held whole for the 2026/27 Financial Year.

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## What is the impact of this change?

Ofgem historically are reluctant to apply retrospective changes to the Charging Methodology. However, as Ofgem has recently noted there is significant uncertainty over connection dates, for projects connecting in 2026/27 Financial Year, “*due to some form of network-driven reason*”. This alternative will protect those Generators commercially, whilst giving NESO more certainty over TNUoS revenues and cashflow. It also buys the Authority extra time to thoroughly assess the modification. We do not want the Modification to be turned down due to the quantity of delayed connections and the impact on NESO, but we also want Generators to be protected from changes, to their connection dates, that are outside their control.

### Proposer’s assessment against CUSC Charging Objectives

Relevant Objective	Identified impact
(a) 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;	<p><b>Positive</b></p> <p>As per the Original proposal this Alternative proposal ensures that generators only pay use of system charges for the period that they enjoy the use of system when connecting.</p> <p>Generators should pay charges reflective of their connection date and there should not be substantial differences based on an Authority decision.</p>

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<p>(b) 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 System Operator Transmission Owner Code (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);</p>	<p><b>Positive</b></p> <p>Ensures that transmission licensees only receive use of system charges for TEC that can be use. Generators being charged only for the capacity that is being provided is clearly a better reflection of costs than Generators being charged for capacity that is not being provided that they cannot utilise.</p>
<p>(c) 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 Independent System Operator and Planner (ISOP) business*;</p>	<p><b>Neutral</b></p> <p>Charges reflecting the capacity that is being delivered and operated more efficiently, and that generators will not hold onto TEC they do not need, promoting improved efficiency in the allocation of TEC. , This approach is beneficial to TOs' businesses development of the Transmission Operators' businesses.</p>

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(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	<b>Neutral</b>
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	<b>Neutral</b>

\* 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.

## When will this change take place?

**Implementation date:** Doesn't now matter. Any time within 2026/27 charging year.

**Implementation approach:**

## Acronyms, key terms and reference material

Acronym / key term	Meaning
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
ISOP	Independent System Operator and Planner
NESO	National Energy System Operator
STC	System Operator Transmission Owner Code
TEC	Transmission Entry Capacity
TNUoS	Transmission Network Use of System
WACM	Workgroup Alternative CUSC Modification

### Reference material:

1. [CMP459](#) as rejected by the CUSC Panel.
2. TNUoS charges 2025/26.