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CUSC Alternative Form – Charging

CMP445 Alternative Request 2: Pro-rating first year TNUoS and pro-rating TNUoS based on available TEC

Overview: The proposed alternative includes the Original proposal and builds upon it by reflecting the linked situation where a connected Generator has access to different levels of Transmission Entry Capacity (TEC) during a charging year. The Original proposal addresses the situation where a Generator is connecting, and the Alternative develops this further to address the scenario where a Generator is already connected. Additionally, this proposed alternative proposes to be retrospective to the 2024/25 Charging Year.

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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?

The Alternative solution incorporates the Original and seeks to charge Transmission Network Use of System (TNUoS) on a daily basis in the situation where TEC changed during a year (an increase or a decrease), the TNUoS charge would change accordingly and be pro-rated from the date of change. In this way, charges would reflect the usage of the Transmission Network more accurately than the current charging methodology. It is also proposed that this Alternative would, if it becomes a Workgroup Alternative CUSC Modification (WACM), be operational from 1 April 2027, and is applied on a retrospective basis to charging year 2024/25.

In order to minimise the risk of gaming, and parties changing TEC frequently for the purpose of reducing TEC charges, this alternative proposes that any reverse in TEC that a party has benefited from in the previous 24 months would result in that party re-paying the benefit gained, in its entirety, in the charging year in which the TEC position is reversed. This repayment would be spread evenly over the remaining months in the charging year in which the reversal happens, or, over the following charging year, in the event the reversal occurs at the end of a charging year.

What is the difference between this and the Original Proposal?

The Charging Methodology sets Chargeable Capacity as the highest TEC applicable to that Power Station for that financial year. Where a Generator is in a stable state, this is not an issue. However, a connecting Generator will most likely connect, disconnect, increase or decrease its TEC in mid-year, or in stages. For Generators making changes to TEC mid-year, CMP445 proposes that the Transmission Network Use of System (TNUoS) is pro-rated from the Charging Date and this alternative, builds upon that by proposing that Generators are charged on a daily basis for the TEC that they have available to them.

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The Proposer is of the view that this incremental solution in this alternative proposal is required in addition to the CMP445 Original Proposal – as it addresses all changes to TEC within a charging year, not just newly connected Generators. The current CMP445 proposal – recently out to Workgroup Consultation – would not address the issue being raised in this proposal without this alternative proposal.

The additions to the CMP445 Original Solution are:

- Charging would be on a daily basis, for the level of TEC available to the User on each day of the charging year;
- The implementation date would be 1 April 2027; and
- The changes arising from this alternative proposal would be on a retrospective basis for Generators connecting in the charging year 2024/25.

What is the impact of this change?

Yes, this has a different impact to the Original in that it reflects a change in capacity, instead of just new capacity. The Proposer notes that this Alternative would address the issue raised by CMP445 although CMP445 would not address the issues raised by this Alternative. It is noted that the concept of daily charging, reflecting changing capacity, was discussed by the Workgroup. This subject of this Alternative was considered out of scope of the terms of reference of CMP445. However, when the Proposer put CMP459 to the Panel, it was rejected on the basis that under the terms of reference of CMP445, the workgroup were capable of considering this Alternative.

The benefits of this proposal include those listed as part of the original, but also that parties will only pay for the TEC that they are using throughout the lifetime of their connection. This means that Users would:

- not be paying for TEC that they cannot use, either because their project timelines do not align with the TOs' charging year, or because TEC has been delivered late (by the TOs);

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- be incentivised to reduce TEC prior to the start of the charging year, freeing it up for other parties;

The Proposer believes that competitive industry participants, are suffering a significant disadvantage due to the lack of sufficient incentive on the monopoly TOs to deliver connections on time. Without this change, Users will continue to pay TNUoS for more time and for more TEC than they have available, notwithstanding the fact that the TOs' delivery timelines are at fault. This is not foreseeable when making an investment case. TOs suffer no material monetary consequences from late delivery, with the risk borne entirely by the connecting party in the form of missed market income as well as paying for TEC that was not delivered on time.

The Proposer would also point out that though this imbalance has always favoured TOs, in recent years network delivery has been subject to increased instances of delay in the past few years than historical reference, and as such, in particular, Generators since the 24/25 charging year did not have any reasonable expectation of the likelihood of such late delivery. This is why the Proposer is requesting retrospectivity for this modification and considers that this is a situation that the workgroup, and Ofgem, are able to address through acceptance of retrospectivity in this alternative proposal.

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;	Positive 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. This will ensure that: (i) Generator bids in competitive CfD auctions are not distorted by (a)

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	<p>those in positive TNUoS zones including unnecessary provision for extra periods of TNUoS that cannot be recovered through generation and/or (b) those in negative TNUoS zones receiving an unjustified benefit during such periods, which in turn should drive down competitive pricing; and (ii) Generators competing for grid connections request the most appropriate dates of connection, (or increase or decrease in TEC), instead of the beginning or end of a TNUoS charging year, which distorts the market.</p> <p>This alternative proposal would result in cost reflective TNUoS charges against the TEC that Generators can use, instead of against TEC they cannot, or do not want to, use.</p> <p>Having charges that are cost-reflective means that Generators will be able to bid lower prices into various markets in which they participate.</p> <p>Generators would be encouraged to change their TEC as soon as practicable rather than waiting for the start of a charging year. Competition is therefore enhanced as generation comes on earlier, or TEC becomes available earlier than in the baseline.</p>
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	<p>Competition is better facilitated in the generation, supply, sale, distribution and purchase of electricity because Generators will have more realistic TNUoS profiles which are based on actual TEC availability, removing the distortion to competition outlined above.</p>
<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>Positive</p> <p>Ensures that transmission licensees only receive use of system charges for TEC that they can, or want, 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 either because they are increasing or reducing generation capability.</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</p>	<p>Positive</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</p>

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Operator and Planner (ISOP) business*;	<p>development of the Transmission Operators' businesses.</p> <p>The implementation of this change will remove the issue referred to above (i.e. Generators seeking connection dates to align with the charging year). Generators will (if this change is implemented) seek TEC increases or decreases when they can use the TEC and will assist with optimising use of the network system. This would mean that NESO and the TOs will be better resourced and prepared for delivering connections, as they will not all be condensed into April (which inevitably leads to issues with deliverability and resource).</p> <p>Furthermore, it is recognised that TOs will be submitting RIIO-3 Business Plans imminently and so it is important that a decision is reached on this proposal as soon as possible.</p>
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	<p>Positive</p> <p>Certainty on TNUoS charging, and a change to ensure that Generators do not pay more TNUoS than is necessary or fair will lead to greater efficiency. With less room for</p>

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	disagreement and dispute, the implementation and administration of CUSC arrangements will be more efficient. Certainty on this topic will, in turn, serve to increase investor certainty in the area of TNUoS charging.
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* 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:

1 April 2027

Implementation approach: It is proposed that this is implemented on a retrospective basis, applicable from Financial Year 2024/2025 to align with the Charging Year in which the Original Proposal was raised and was intended to apply from. This is because during that Charging Year and the date of implementation date of this modification, truly exceptional circumstances are arising because of the huge constraint on grid capacity and the significant volume of connections of offshore and offshore wind farms which are exacerbating this issue.

As noted by the Ofgem Connections Delivery Board "The current processes for connection to electricity networks (both transmission and distribution) need significant reform to respond efficiently to the extremely high levels of new applications to connect, as well as the significant number and capacity of projects already holding connection agreements and seeking to connect. Ensuring customers can connect to the electricity network where and when they

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need to is crucial to achieving net zero, as well as to delivering affordability for consumers and maintaining security of supply."

Both the Original Proposer and the Proposer of this modification have suffered material financial harm resulting from the currently applicable framework which has become increasingly problematic in recent years. This harm was not foreseeable, as it has in both cases been driven by completely unforeseeable and uncompensated TO delay.

It is noted by CMP425 was implemented on a retrospective basis and so this modification is capable of being retrospectively implemented also. It is anticipated that moving to daily TNUoS charging may require system development by NESO. But it is our understanding that retrospectivity would impose little resource requirement on NESO and would require negligible adjustment to TNUoS charges relative to the usual residual adjustments normally made between charging years.

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.