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Workgroup Consultation Response Proforma

CMP417: Extending principles of CUSC Section 15 to all Users

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 cusc.team@neso.energy <mailto:grid.code@neso.energy> by **5pm** on **06 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 cusc.team@neso.energy.

Respondent details	Please enter your details	
Respondent name:	Oliver Easterbrook	
Company name:	National Grid Electricity Distribution plc	
Email address:	oeasterbrook@nationalgrid.co.uk	
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Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input checked="" 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 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*)

For reference the Applicable CUSC (non-charging) Objectives are:

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- i. *The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;*
- ii. *Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
- iii. *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and*
- iv. *Promoting efficiency in the implementation and administration of the 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.*

For reference, 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;*
- 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.

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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.

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 and/or any potential alternatives better facilitate the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe original Solution better facilitates than the current baseline:
		<table border="1"> <tr> <td>Original</td> <td> <input type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None </td> </tr> </table>
Original	<input type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None	
<p>We agree with how the identified impacts of the Original Proposal better facilitate Objectives ii and iv.</p> <p>Reduced security requirements combined with embedded demand connections not currently being subject to readiness requirements or strategic alignment could lead to undesired outcomes:</p> <ul style="list-style-type: none"> - Higher volume of parties contracted, driving heightened administrative burden. - Less effective competition created if significantly more participation for speculative/non-viable projects. 		
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		~3 months for existing demand users to be transitioned to a new security methodology is challenging.

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		<p>The implementation date should consider:</p> <ul style="list-style-type: none"> – Connections Reform timeline. Resource required for CMP417 activities is focussed on reform contract amendments. Phase 2 Gate 2 offers may still be issued in January 2027. - Acceptance periods for offers with varied terms for securities (standard 3 months). - Alignment with the first securities run post all gate 2 offers being signed.
3	Do you have any other comments?	<p>We don't have an express right to unilaterally vary contracts due to non-project-specific changes coming top-down from NESO. This poses a risk to implementation of CMP417. There may be value in engaging Ofgem on this issue to find a solution that removes the risk of formal challenges where variations are imposed on customers.</p> <p>CMP417 may have an undesired effect of increasing speculative applications due to the lower security burden. This is counter to the work being undertaken through the ENA. An increase in the number of generation projects entering the queue could be in part linked to Section 15 CUSC requirements on securities (reduction in securities).</p> <p>To minimise this risk, other measures such as those captured within Ofgem's Demand Connections Update will be needed to curate a viable, strategically aligned pipeline of demand connections.</p>
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 Workgroup Consultation Section)</p> <p><input checked="" type="checkbox"/> No</p>
		Click or tap here to enter text.

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5	Does the draft legal text satisfy the intent of the modification?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>We believe to satisfy the intent of the modification, Directly Connected Distribution Systems should be captured by the legal text drafting. This would allow User Commitment Methodology to be applied as necessary.</p> <p>Following areas identified for amendment:</p> <ol style="list-style-type: none"> 1. Schedule 11 to include: <ol style="list-style-type: none"> a. Definition for "Directly Connected DNO" or similar, meaning " a Users Distribution System directly connected to the National Electricity Transmission System". b. Definition for "Attributable Works" amended to include "Directly Connected DNO" or similar. 2. "Directly Connected DNO" or similar may need to be included in all the relevant CUSC clauses.
6	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

Specific Workgroup Consultation questions

7	Do you support the inclusion of wider cancellation liability for	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
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	Demand projects? (please provide details in your response)	<p>Demand connections are increasingly requiring wider reinforcement works to accommodate their capacity needs. It is therefore justifiable that this is included.</p> <p>The Original Proposals' ability to better facilitate the CUSC Objectives is down to having a consistent approach for generation and demand connections, allowing for more effective competition and administration of CUSC. Misaligning these by excluding wider liability would not have the desired outcome that this modification seeks to achieve.</p>
8	Do any parts of the solution require additional clarification?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/></p> <p>The Proposer confirmed that reductions in Demand will also trigger cancellation liabilities in alignment with generation processes.</p> <p>However, 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.</p> <p>There is a risk of gaming if the less prominent use of the connection site (demand or generation) is reduced but no cancellation charge can be levied. However, we note that any changes to the existing User Commitment Methodology for generation projects is out of scope of CMP417.</p>
9	Is it clear how the Demand Capacity figure should be calculated and provided to NESO?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>We agree with the principle that using load forecasts provided by DNOs will support in defining what the applicable demand capability is.</p> <p>There is mention of 'specific point in time' but is unclear at which point this would be taken. We request clarity on this. To our knowledge, 'Connection Site Demand Capability' is not adjusted year to year in a BCA based on week 24 assessments, nor do NESO look to proactively trigger works to ensure capacity is available based on our load forecasts. In order for</p>

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		<p>the proposal as it is described to work, this may be an additional role for NESO.</p> <p>To ensure there is a consistent approach for how our load forecasts are used in assessments, we would expect NESO to clearly set out how this should be provided for within the modification application submitted by a DNO.</p>
10	Do you believe any projects could be adversely impacted by this proposal?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>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).</p> <p>Overall we think the benefits of the proposal outweigh the potential adverse impacts.</p>
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?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>One statement ensures more simplicity to the process for both network operators and the customer receiving the statement.</p> <p>There are issues that need to be overcome to make this workable:</p> <ul style="list-style-type: none"> - 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. Example below:

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		Works	Scheme Capability		
		Reinforcement (Demand Triggered)	1000		
		Project	Generation	Demand	SIF
		1	500	250	50.00%
		2	400	650	65.00%
		3	50	100	10.00%
					125.00%

The over-securitisation issue could be resolved by:

- Capping SIF at 100% and calculating percentage share based on total contracted capacity rather than scheme capability.
- Identifying whether works are for demand or generation and using the relevant capacity to calculate SIF. This would be more onerous a process to administer.