

Transmission asset charging considerations for CMP414: CMP330/CMP374 consequential modification.

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Existing Charging Regulations - CUSC 14

14.2.5 In general, connection assets are defined as those assets solely required to connect an individual User to the National Electricity Transmission System, which are not and would not normally be used by any other connected party (i.e. “single user assets”). For the purposes of this Statement, all connection assets at a given location shall together form a connection site.

14.2.6 Connection assets are defined as all those single user assets which:

- a) for Double Busbar type connections, are those single user assets connecting the User’s assets and the first transmission licensee owned substation, up to and including the Double Busbar Bay;*
- b) for teed or mesh connections, are those single user assets from the User’s assets up to, but not including, the HV disconnecter or the equivalent point of isolation;*
- c) for cable and overhead lines at a transmission voltage, are those single user connection circuits connected at a transmission voltage equal to or less than 2km in length that are not potentially shareable.*

14.2.7 Shared assets at a banked connection arrangement will not normally be classed as connection assets except where both legs of the banking are single user assets under the same Bilateral Connection Agreement.

14.2.8 Where customer choice influences the application of standard rules to the connection boundary, affected assets will be classed as connection assets. For example, in England & Wales NGET does not normally own busbars below 275kV, where The Company and the customer agree that NGET will own the busbars at a low voltage substation, the assets at that substation will be classed as connection assets and will not automatically be transferred into infrastructure.

Any other transmission works are classed as Infrastructure Works (although a specific definition is not provided) or One – Off Works.



CMP414 Context

Amongst other changes CMP414 proposes to:

*“...create a new term ‘**Contestable Asset**’ to include Transmission Connection Assets and infrastructure assets, to replace the existing Contestability provisions for ‘Connection Assets’. It proposes that Contestable Assets (as newly defined) can be procured and/or constructed by a User.”*

This change, if taken forward, will allow Users to undertake transmission works but is **not** seeking to change the applicable charging methodology set out in CUSC. I.e., expanding who can do the work but how it is paid for is out of scope.

This presentation seeks to detail out the charging implications for Users and transmission network owners if contestability as set out in the CMP414 proposal is to be taken forward.



1. User as Contractor

In the few known cases of User's delivering transmission works the contractual arrangement has seen the User being appointed in place of the transmission owner's contractor. Note that in these cases, the scope has been exclusively limited to TCA Works and not Infrastructure Works.

The basic arrangement has been as follows:

- User appointed as contractor, cost and scope agreed with transmission owner.
- User paid to deliver works, in a manner similar to the transmission owner's framework contractor.
- Transmission owner, via NESO, invoices User for TCA Works.

It is assumed that the approach above would be retained with the scope extended to include Infrastructure Works.

- User appointed as contractor, cost and scope agreed.
- User paid to deliver works, in a manner similar to the transmission owner's framework contractor.
- Transmission owner, via NESO, invoices User for TCA Works **only and cost for Infrastructure Works is recovered via TNUoS as normal.**

The direct, short-term cost to the User could be significant and should be taken into account. Other related issues, like credit worthiness, provision of bonds etc. need to be examined.

A streamlined process dedicated to contestability should be developed, bearing in mind that the User will not be embedded in the transmission owner's internal procedures.



2. User Commitment

Noting the approach set out in the previous slide regarding the few existing examples of “contestability”, the view from NESO in these situations has been that the User must continue to provide the specified security to underwrite the transmission owner’s delivery risk even for those assets being procured, installed and commissioned by the User.

The explanation has been that the process risk under the BCA contract is no different from the transmission owner’s perspective, it just so happens that the User is also the nominated Contractor.

Coupled with the costs set out in the previous slide, this constitutes a significant burden to the User.



3. Multiple Users

Multiple Users relying on the same set of transmission upgrade works:

- If there is a significant difference in the energisation date of the Users concerned;
 - and the first User elects to take the responsibility of delivering of the “contestable” component of those works,
 - and the scope includes assets that were classed as TCA Works, but which become infrastructure assets, because more than 1 User directly benefits from them in their connection to the NETS,
this can be seen as an unfair benefit to the second / subsequent User(s) at the expense of the first User. This is not a new issue but will be highlighted by contestability.
- If multiple Users have similar energisation dates, how will charging be managed if they don’t agree on an approach to contestability?



3. One – Off Works

NESO will need to give further thought to how the scope and cost allocation of One – Off Works will be handled.

It would seem reasonable for that to remain a “non – contestable” item.

For the most typical types of One – Off Works (overload protection schemes), it is plausible for the current approach, where the cost is largely split directly between affected Users, to be retained.



4. Use of System Charges

In scenarios where a User is undertaking contestable transmission works, NESO will need to be clear on how this impacts (if at all) the calculation of Local Circuit Tariffs and Local Substation Tariffs.



Conclusion

All aspects of charging need to be reviewed in light of the implementation of this modification to ensure there is clarity on the resulting impact on methodology.

In my view, a consequential modification focused on implementation may not be required, as the bulk of the issues raised are likely to be procedural in nature and within NESO's statutory powers to address.

However, it might be that a consequential modification makes sense when the interrelated issues under investigation by the CMP460 workgroup (and the DCP461) and this one are taken in the round.