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CUSC Alternative Form – Non-Charging

CMP470 Alternative Request 1: Alternative Implementation Date

Overview: This alternative proposal is for the implementation date to be delayed from the current proposed date to **March 2028**.

Proposer: Sarah Lightfoot & Neil Brooks. Root-Power

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

What is the proposed alternative solution?

This alternative relates to the 'timing' design parameter and proposes to delay the start date (the point at which the fee becomes payable) in the following manner:

- For Gate 2 to Whole Queue (G2TWQ) offers: Delay to March 2028, 1 year from final issuing of Gate 2 offers.
- For New Gate 2 Offers thereafter: Delay to 1 year from acceptance of Gate 2 offer.

What is the difference between this and the Original Proposal?

The objective of the CMP470 proposal is to remove unviable projects from the queue and deal with the issue of oversubscription of Battery Energy Storage Systems (BESS) in the network. It proposes to achieve this by applying an Oversubscribed Technologies Commitment Fee (OTCF) shortly after issuance of the Gate 2 offer.

This alternative proposes to delay the point at which the OTCF becomes payable. This is to allow sufficient time for the following:

1. Natural Queue Attrition to occur.

- As currently proposed, there is only a short period of time between issuance of gate 2 offers and commencement of the OTCF. This does not allow sufficient time for natural queue attrition to occur following acceptance of Gate 2 offers. This natural attrition may be as a consequence of:
 - o Failure to sell projects or failure to obtain funding – therefore resulting in projects being removed from the queue by their owners as they are not attractive in the market
 - o Failure to comply with Queue Management milestones – therefore resulting in projects being removed from the DNOs/TOs.
- The knowledge that the OTCF will be applied will cause natural attrition before it is formally applied, this proposed amendment ensures sufficient time is allowed for this to occur.

2. For flexible connection assessments to be completed.

- Viability of projects is dictated not only by project economics but also by timing for grid connections. A project which is competitive from a Capital Expenditure (CapEx) perspective may be unattractive due to its later dated connection.

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- The G2TWQ process relates to firm connection dates. Some projects were assessed as to whether they can connect sooner than their firm connection date on a flexible basis prior to connections reform. The Electricity Network Association (ENA) has confirmed that they will recommence assessing whether projects can connect on a flexible basis in March 2027, following the issuance of the Gate 2 offers.
- Following this assessment, projects which can be connected on a flexible basis will receive flexible connection offers, potentially leapfrogging others which have better queue positions according to the reformed queue.
- There are Gate 2 Phase 2 projects which will become more viable following receipt of their flexible connection offers.
- It is for each developer to request that their project is assessed on this basis and there is no official timeline published for this to be completed yet. However, the current OTCF would likely be introduced before this process has taken place, meaning viable projects are leaving the queue unnecessarily.

The below scenario explains this:

- Project A:
 - Gate 2, Phase 1 offer
 - Within the 29 Gigawatt (GW) threshold
 - Gate 2 offer: 2030 firm connection date
 - No flexible connection possible.
- Project B:
 - Gate 2, Phase 2 offer
 - Over the 29GW threshold
 - Gate 2 offer: 2036 firm connection date
 - 2029 flexible connection possible (with nominal curtailment).
- Conclusion:
 - Assuming the project commercials are the same for Projects A & B, Project B is equally/more viable.
 - However, Project B may be withdrawn before it receives its flexible connection offer in order to avoid the OTCF. This therefore results in a ready and needed project leaving the queue as a result of the OTCF.
- On the basis of the above scenario, the timing of the fee should be delayed to 12 months from the final date of issuing the Gate 2 offers to allow for flexible connection assessments to be completed.

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3. Urgency to cut down the queue

- The projects which form the ~60GW oversubscribed group have longer dated connection dates. There will be minimal, if any, investment by the network operators in the infrastructure required to connect these in the immediate future, as focus will be on the 29GW.
- Urgency to cut down the queue should not be at the expense of viable projects. The fee not being payable until March 2028 allows natural queue attrition to take place, allows developers to divest their projects and also allows flexible connection offers to be offered and considered.

What is the impact of this change?

The impact of this change will be limited to a 6-month delay to the current proposed timing (this current date being October 2027).

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(i) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	Neutral
(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;	Positive Allowing a technology which is eligible to receive a flexible connection offer (to connect to the network earlier than its firm connection offer), to receive its flexible offer prior to OCTF implementation, has a positive impact on facilitating effective competition in the generation and supply of

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electricity for the following reasons:

1. Accelerated project energisation on the network:

-This point directly links to the CMP470 original proposal, which identified a positive impact of CMP470 on facilitating effective competition. As noted by Field: "Removing oversubscription will enable TOs to move more quickly on designing and building network connections for new projects, bringing them online sooner, increasing margins in the electricity market, and reducing prices".

-Projects eligible for flexible connections, by design, are able to connect to the network sooner. Therefore, allowing projects with these flexible offers to remain in the queue will accelerate the delivery of operational assets, thereby increase competition of operational assets on the network and reducing reliance on

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	<p>expensive backup power, ultimately lowering costs passed to consumers.</p> <p><u>2. Facilitates economic projects to remain in the queue:</u></p> <ul style="list-style-type: none"> - This point directly links to the CMP470 original proposal, which highlighted benefits on facilitating effective competition. As stated by Field: “Where a technology is oversubscribed, it will create a mechanism whereby the least economic projects are removed from the queue and the most economic progress that will result in an overall lower cost system”. - Projects which receive flexible connection offers are likely to be subject to minimal distribution reinforcement costs, hence their ability to connect ahead of wider system reinforcements, making them comparatively more economic. - Allowing these projects to remain in the queue, rather than forcefully removing them through
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	the OTCF, ensures that more economic projects progress, resulting in an overall lower system cost.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Neutral

* 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.*

When will this change take place?

Implementation date: 6-month delay to the current proposed timing (this current date being October 2027).

Implementation approach: As per the Original proposal – Some National Energy System Operator (NESO) tools may need to be updated, potentially alongside those for the Distribution Network Operators (DNOs).

Acronyms, key terms and reference material

Acronym / key term	Meaning
BESS	Battery Energy Storage System
CapEx	Capital Expenditure
CUSC	Connection and Use of System Code

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DNOs	Distribution Network Operators
ENA	Electricity Network Association
G2TWQ	Gate 2 To Whole Queue
GW	Gigawatt
NESO	National Energy System Operator
OTCF	Oversubscribed Technologies Commitment Fee