Draft Final Modification Report

CMP417: Extending principles of CUSC Section 15 to all Users

Overview: This modification looks to extend the principles of Connection and Use of System Code (CUSC) Section 15 "User Commitment Methodology" to Users on Final Sums Methodology, resulting in all Users being on the User Commitment Methodology. This will introduce equitable treatment across User groups and reduce barriers to entry.

Modification process & timetable

1. **Proposal Form**
   12 July 2023
2. **Workgroup Consultation**
   19 January 2026 - 06 February 2026
3. **Workgroup Report**
   16 April 2026
4. **Code Administrator Consultation**
   28 April 2026 - 20 May 2026
5. **Draft Final Modification Report**
   18 June 2026
6. **Final Modification Report**
   06 July 2026
7. **Implementation**
   10 BD following Authority decision

Have 5 minutes? Read our Executive summary
Have 90 minutes? Read the full Draft Final Modificatoin Report
Have 180 minutes? Read the full Draft Final Modificatoin Report and Annexes.

Status summary: The Draft Final Modification Report has been prepared for the recommendation vote at Panel.

Panel recommendation: The Panel will meet on 26 June 2026 to carry out their recommendation vote.

This modification is expected to have a: High Impact on National Energy System Operator (NESO), Distribution Network Operators (DNOs), Transmission Owners (TOs), Users who remain on Final Sums methodology (Distributed connected Demand, Transmission connected Demand and DNOs where work is not triggered by an embedded Generator e.g. asset replacement)

Governance route	Standard Governance modification with assessment by a Workgroup	
Who can I talk to about the change?	**Proposer:** Martin Cahill, NESO martin.cahill@neso.energy	**Code Administrator Chair**: Robert Hughes, NESO robert.hughes3@neso.energy

Contents

Executive Summary 3

What is the issue? 5

What is the defect the Proposer believes this modification will address? 5

Why change? 7

What is the solution? 7

Proposer's Original solution 7

Legal text 10

Workgroup considerations 11

Workgroup Consultation Summary 30

Terms of Reference Overview 38

What is the impact of this change? 39

Proposer's assessment against Code Objectives 39

Workgroup Vote 42

Code Administrator Consultation Summary 43

Panel Recommendation vote 45

When will this change take place? 46

Interactions 47

Acronyms, key terms and reference material 47

Annexes 49

Executive Summary

This modification looks to extend the principles of CUSC Section 15 “User Commitment Methodology” to Users on Final Sums methodology, resulting in all Users being on the User Commitment Methodology.

What is the issue?

Currently the security and liability arrangements for Users of the National Electricity Transmission System (NETS) require them to financially secure the Transmission Owner's (TO) expenditure related to their connection. There are two methodologies for calculating Users' financial liabilities:

1. **User Commitment Methodology** – Applicable to Generation
   This calculates a proportion of the spend associated with a project which the User is liable for, taking into account the Power Station Transmission Entry Capacity (TEC) scheme capablity for any Attributable Works, and potential for assets to be reused. The proportion of liablity which must be secured by the User is initially 100%, but drops to a lower percentage as a project nears commissioning.

2. **Final Sums Methodology** – Applicable to Demand
   User is liable for 100% of any works which are required to facilitate the connection. Users on Final Sums must also secure all spend associated with their project as it progresses.

Historically where Demand connections have been much smaller than generation the Final Sums methodology has resulted in proportionate securities, with connections generally only triggering reinforcement local to their site. However, more recently there have been larger connections driving Transmission Works beyond the connection site. This means that a User could have to secure 100% of the cost of works which are required to facilitate multiple connections, resulting in disproportionatelty high liability, and a need to reconsider treatment for Demand Users.

What is the solution and when will it come into effect?

Proposer's solution:

To apply the principles of User Commitment Methodology to Demand securities and liability. This includes the application of sharing factors such as the Strategic Investment Factor (SIF) and Local Asset Reuse Factor (LARF). This would ensure that Demand Users are only liable for a proportion of the spend for assets which have a higher capability than their site alone requires.

Implementation date:

10 Business Days following Authority Decision.

What is the impact if this change is made?

This modification removes the two-tier process between the two existing security methodologies and ensures that Users have clarity over their financial securities and liabilities. This will help ensure that User Commitment arrangements do not unduly restrict new developments competition.

Workgroup conclusions: The Workgroup concluded unanimously that the Original better facilitates the CUSC Applicable Objectives than the Baseline.

Code Administrator Consultation: The Code Administrator Consultation received 12 non-confidential responses.

Panel recommendation: Panel will meet on 26 June 2026 to carry out their recommendation vote

Interactions

CM093 - This seeks to deliver the required changes to System Operator Transmission Owner Code (STC) so that SIF and LARF can be applied to Demand Users.

What is the issue?

What is the defect the Proposer believes this modification will address?

Security and liability arrangements are provisions by which Users of the NETS must underwrite Transmission Works which are required to facilitate their connection. These arrangements apply for Transmission Connection Assets (TCA), sole or shared reinforcement works, and one-off works.

Liability = The total amount which a User will be invoiced for if a contract is terminated within the next security period

Security = The proportion of liability which must be secured by the User at a given point in time. Security is returned upon connection of a project and is replaced with Use of System charges and, where relevant, Transmission Connection Charges.

In the event a User terminates a connection agreement prior to connection or reduces their capacity, they are liable for charges which are initially paid to the National Energy System Operator (NESO) and then passed onto the relevant TO.

There are two security methodologies currently in use to determine a User's financial liability and security amount which needs to be secured in relation to the provision of new, or amended capacity:

CUSC Section 15 'User Commitment Methodology' – Applicable to generation

- Users are liable for Attributable Works (works required to connect to the nearest Main Interconnected Transmission System (MITS) node)
- The proportion of Attributable Works which the User is liable for is calculated using a ratio of TEC to Scheme Capability, and a potential re-use factor
- Users also secure a proportion of wider network investment based on which zone they connect in.

Final Sums methodology – Applicable to Demand

- Outlined in CUSC Schedule 2, Exhibit 3, Part 2
- User is liable for 100% of any works required to facilitate the connection
- Security is always equal to 100% of liability

User Commitment Methodology was introduced via CMP192 and expanded under subsequent mods CMP222 and CMP223. The purposes of these modifications were to lower perceived barriers to new entrants, incentivise timely provision of information to the TOs to aid efficient decision-making, and improve the governance of the methodology by embedding it in the CUSC. It was perceived at the time the previous modifications were raised that the Final Sums methodology may have had a negative impact on competition. This was due to the significant difference in security requirements for Users once their Connection and Construction Agreements were signed.

Modifications CMP192, CMP222 and CMP223 did not include the Users who remain on Final Sums methodology currently (distributed connected Demand, Transmission connected Demand and DNO works not triggered by Embedded Generation) as the general consensus of Workgroup members at the time was that these Users generally only triggered the specific assets built to connect them to the NETS. However, Demand connections are now driving Transmission Works beyond the Connection Site. What this means in practice is that while these reinforcements beyond the Connection Site are likely to be used by multiple customers, there is no provision within Final Sums to share the liability. Therefore, there is a risk that Demand sites will face liabilities which are disproportionately high in comparison to the investment which they trigger, and the current arrangements could act as a barrier to entry for some.

Users covered under CUSC Section 15 User Commitment Methodology sit in the following categories:

- a Power Station directly connected to the NETS in respect of which there is a Bilateral Connection Agreement (BCA) with The Company;
- an Embedded Power Station in respect of which there is a Bilateral Embedded Generation Agreement (BEGA) with The Company;
- a Distribution System directly connected to the NETS in respect of which there is a Construction Agreement associated with Distributed Generation;
- an Interconnector directly connected to the NETS in respect of which there is a Bilateral Connection Agreement with The Company.

Any other User not described above, currently remains on the Final Sums methodology as defined in its Construction Agreement (CUSC Schedule 2, Exhibit 3, Part 2).

Why change?

Over recent months and years, some Demand connections have driven Transmission Works beyond the Connection Site, and as a result have triggered significant securities in their agreements. There are instances where Transmission Works are triggered by multiple Users across both security methodologies, which can result in both methodologies being applied to different Users across the same Transmission Works. Larger Demand connections are expected to be a continuing trend, which would make this issue even more pronounced.

This modification aims to improve the cost reflectivity that Users currently on Final Sums methodology have on a TO's spend profile. This will help reduce uncertainty for developers whereby the security amount is reflective of the transmission liabilities they actually impose.

The original Proposal form can be found in **Annex 01**.

What is the solution?

Proposer's Original solution

To extend CUSC Section 15 "User Commitment Methodology" to apply to all Users. This will mean transmission connected Demand, distributed connected Demand* and DNO required works will be moved from Final Sums methodology to User Commitment Methodology.

*Note that if the DNO determines that an embedded Demand scheme must go through a Modification Application (Mod App), the scheme will incur cancellation liabilities. However, this is administered through the DNO who will also be liable to NESO for the works and pass this liability on to the embedded Demand customer.

The proposed solution is as follows:

- Final Sums methodology will no longer be used for new connections. Existing connection applications on Final Sums will be transitioned to new

arrangements. CUSC will outline Transitional Arrangements which will include creating an Appendix MM and trigger date for each Demand connection. The Construction Agreement will also be updated into the new part 2 format introduced into CUSC Schedule 2 Exhibit 3A and a new security statement will be created for the next security run.

- Demand sites will be added to User Commitment Methodology (CUSC section 15), where they will have Attributable Works and secure a portion of wider Capital Expenditure (CapEx) spend.
- The same calculations as those used for Generator User Security will be applied, with the exception that instead of TEC, "Demand Capacity" will be used:

  Total Liability = Attributable Works Liability + Wider Liability
  Attributable Liability = Spend to date (including 6 month forecast x (1-LARF) x SIF

  Wider Liability = Demand Capacity (or Embedded Demand Capacity) x Zonal £/MW Tariff x Wider Profile (%)

  SIF = Demand Capacity (or Embedded Demand Capacity)/Attributable Scheme Capability

- Demand Capacity reflects the maximum power which is required by the Demand Site. Where the BCA states the maximum Demand to be taken at the site (Connection Site Demand Capability), this will be assigned as the Demand Capacity. Where this is not included in the BCA, it will be the figure provided via the Connection Application, and if this is not available the figure will be agreed between NESO and the customer based on expected consumption.
- Embedded Demand Capacity is used for DNO applications in relation to an embedded site triggering a Mod App. This figure will reflect the power required by the embedded site. Note if there is an instance where a DNO Mod App is not linked to a specific embedded project, Demand Capacity will be used instead of Embedded Demand Capacity. The Demand Capacity section of this report provides more detail on assumptions that should be used to provide this figure under different scenarios.

- The proportion of liability which needs to be secured will be the same as for generation. This is based on whether the project is past the trigger date, Transmission or distribution connected, and whether it has consents.
- Where an already connected Demand site modifies an agreement to add additional capability, the liability will be calculated using the increase in capability e.g. Maximum Demand to be taken in new BCA – Maximum Demand to be taken in previous BCA.
- The total amount of Wider CapEx to be applied to User Commitment will be unchanged, as will the amount to be recovered from each Electricity Ten Year Statement (ETYS) Zone. However, this will now be divided across generation and Demand, each will each have the same £/MW tariff depending on which zone they are located in. As the total number of MW, the charge will be divided across will increase, Generators will see a slightly reduced wider liability.
- Hybrid Sites (generation and Demand at the same site) will have one security statement produced which uses the highest MW rating (TEC or Demand Capacity) to calculate liability.

As per User Commitment for generation, a cancellation charge will apply if:

- A User reduces Demand Capacity before the connection date.
- A connected Demand project reduces their Demand Capacity or closes the site without providing the relevant notice period (note only the wider part of the charge will apply for this).

The implementation will be as follows:

- The legal text will be implemented 10 working days from the Authority decision.
- Any new applications after this point will be subject to User Commitment (noting that the timing of new applications to process will depend on when the application window is).
- Existing Users under Final Sums methodology will require a transitional period post the decision from the Authority. These Users will remain on the Final Sums methodology until the next security window after implementation, with the target that this will be the January 2027 securities

run. The plan for implementation will allow time for new data provision from TOs to NESO and contractual updates.

CMP417 requires some changes to data received from TOs which will be progressed via the associated STC modification CM093.

This will include additional Attributable Works cost information for Demand connections (noting that CMP417 will extend the definition of Attributable Works to include Demand), including scheme capability and LARF. This will also require any additional schemes which are only attributable for Demand to be excluded from the load related and non-load related CapEx figures provided for the wider cancellation charge.

Legal text

The legal text for this change can be found in **Annex 04**.

Section 6 'General Provisions'	Section 15 'User Commitment Methodology'	Section 11 'Interpretation and Defin itions'	Schedule 2, Exhibit 3, Part 1 and Part 2 'Construction Agreements'	Exhibit MM3 'Notification of Fixed Attributable Works Cancellation Charge'
Demand Capacity reduction terms introduced for Demand	Incorporate Demand into main section 15 clauses. Include Transitional Arrangements	Extend Attributable Works definition to Demand, creation of Demand Capacity and Embedded Demand Capacity terms. Extend Associated DNO Construction Agreement to Demand	Update part 2 to User Commitment Arrangements	Update to include Demand Capacity

The following considerations were taken into account when creating the legal text:

- Prior to the Workgroup meeting hiatus, the Workgroup discussed and reviewed draft legal text for the solution at that point. The original approach was to have the current CUSC Section 15 as Section 15A, with an additional Section 15B to cover the arrangements for Users currently on Final Sums methodology. This split was used due to the differences in the Proposer's solution from CUSC Section 15 (in particular not applying the Wider Cancellation Charge to Demand). The Proposer later amended the solution so that the Wider Cancellation Charge would also be included for Demand, and deemed that it was now more efficient to bring Demand into the existing Section 15 clauses rather than splitting into two sections. This would increase alignment between generation and Demand.
- New definitions were required for Demand Capacity and Embedded Demand Capacity to be used in place of TEC when calculating securities for Demand. The current Attributable Works definition only captures generation so it also needed to be extended to Demand.
- "Distributed Demand" term is created to refer to embedded Demand which is subject to transmission reinforcement securities.
- It was recommended keeping two separate Construction Agreement templates: one for connect and manage arrangements, and another for other cases, including Demand and Interconnectors, as part one includes connect & manage arrangements which are only relevant to generation.

Workgroup considerations

The Workgroup convened 16 times to discuss the issue as identified by the Proposer within the scope of the defect, develop potential solutions, and evaluate the Proposal in relation to the Applicable Code Objectives.

Workgroup Discussion ahead of the Workgroup Consultation

CMP417 was raised in July 2023. 5 Workgroup meetings were held in late 2023/early 2024 prior to a Workgroup meeting hiatus due to Connections Reform.

Following the hiatus, 11 further Workgroup meetings were held to discuss the solution.

1. Discussion and clarification of the defect

The Proposer introduced the two different methodologies for securities, as follows:

- User Commitment Methodology, which is applicable to all generation projects including Interconnectors and Embedded Generators. This is covered within CUSC Section 15.
- Final Sums methodology, which is applicable to DNOs and directly connected distributed and transmission Demand. This is outlined in CUSC Schedule 2, Exhibit 3, Part 2.

The Proposer outlined that the defect of the modification is that Final Sums methodology is acting as a barrier to entry for some Users due to the significant securities incurred, and that their goal was to introduce more equitable treatment to those Users currently covered under Final Sums methodology.

Several Workgroup members noted that aspects of User Commitment Methodology are not fit for purpose, however the Proposer clarified that changes to the existing User Commitment Methodology for generation projects are not within the scope of CMP417. They advised that this could be part of a separate modification once CMP417 concluded, noting that if CMP417 is approved, any future changes to User Commitment Methodology could be applied more efficiently across all Users.

One Workgroup member queried whether NESO had considered changes to Final Sums methodology within the STC rather than changing the CUSC, however the Proposer's view was that it would be more beneficial to align to existing User Commitment provisions in CUSC Section 15.

The Workgroup also considered the differences between Final Sums methodology and User Commitment Methodology, with a detailed overview being provided on Final Sums methodology during Workgroup meeting 2.

2. Application to different Users

Several Workgroup members queried whether moving Demand Users to CUSC Section 15 was the correct solution, noting that there may be negative costs

incurred as a result of doing this, especially where Demand and generation interact.

Workgroup members also queried which Users would be transferred from Final Sums methodology to User Commitment Methodology, with the Proposer confirming that the intention of the original solution was to ensure no Users were left on Final Sums methodology, and to have all Users covered by User Commitment Methodology in CUSC Section 15.

Workgroup members had concerns relating to the application of User Commitment to Network Operators, specifically relating to how capacity is defined (see Demand Capacity for more information).

3. Hybrid Sites

Workgroup members discussed the treatment of hybrid sites which had both Demand and generation technologies, and the potential for double counting. The Proposer confirmed that under the current process a hybrid site would receive separate security statements for generation and Demand, and that one of the aims of this proposal should be to reduce duplication. After discussing with Workgroup, the following process was proposed:

- One security statement will be created for hybrid site which covers generation and Demand
- SIF and wider liability will be calculated using the highest of TEC or Demand Capacity
- Cancellation of the connection would result in one cancellation charge.

Alternative options using two separate security statements were explored, but each of these posed significant issues:

- Having two separate security statements with the same Attributable Works is not cost reflective, requiring a customer to secure the works (and be liable for) the same works twice
- An option was discussed whereby the TOs would identify Attributable Works which were predominantly generation or demand driven to separate across the two security statements. However, feedback was given that this would add significant complexity to the process. There would still

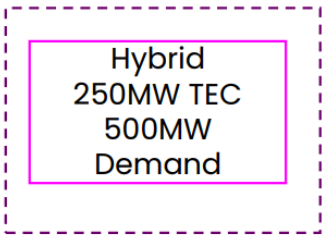
be a need to be a fair way of separating shared works, and that the predominant driver for the works could change if other projects cancel

- Any approach which splits Attributable Works across two separate security statements introduces a potential for gaming where a project could fix securities for the statement with the least liability/Attributable Works. This could mean that if one of the technologies was cancelled at an early stage, it would not be possible to recover the full Attributable Works cost if the other technology was cancelled at a later date.

The scenario below gives more detail on the potential issue with fixing if using separate generation and Demand statements:

- Attributable Works A and B are required to accommodate generation and Demand
- Attributable Works C are only required for generation

Security Statement Demand	**Security Statement Generation**
Attributable Works A and B (assigned to highest MW – in this case Demand)	Attributable Works C (generation only)



- If the site fixes generation security statement and cancels Demand technology at an early stage, cancellation charge will be incurred for Attributable Works A and B. As project is at an early stage, the cost incurred by the TO on these works to date could be relatively low.
- However, these works were required to accommodate both generation and Demand, and the TO will continue with these works
- Generation security statement is fixed, so Attributable Works cannot be included in any future security statements for the connection

- While further costs would be incurred for Attributable Works A and B over time, the Generator would not be liable for any of these costs

The Workgroup Consultation section of this report includes further discussions about the risk with the chosen option for hybrid connections where the lower technology is cancelled. During these discussions the Proposer confirmed that there would be no cancellation charge in this instance with the full liability remaining, but if it led to any abortive TO works, these would be billed separately to the customer.

4. DNOs

The Workgroup discussed the additional complexity in applying CMP417 to DNOs. A DNO Mod App to NESO could be for the connection of a significant embedded Demand project, or it could be for works required at the GSP (Grid Supply Point) by the DNO itself. It was recognised that there was a need for additional guidance for different DNO scenarios.

Following an Electricity Networks Association (ENA) meeting with DNO's to gather wider views on 16 October, the Workgroup discussed:

- Feedback from the DNOs that the predominant driver for Mod Apps is larger embedded Demand connections. There is no aggregation used: each application includes a maximum of one embedded Demand connection. The Proposer did not wish to introduce any new process to include a Demand Appendix G type process, noting that this would extend the scope of the modification
- Mod Apps submitted for reinforcement works required by the DNO but are not in relation to an embedded project are far less common. These could be triggered by specific requirements for the DNO, e.g. new Super Grid Transformers (SGTs), or overall load growth in the network. Some basic principles for these applications have been developed below.
- Whether reductions in Demand Capacity would also trigger cancellation liabilities. The Proposer confirmed that, as with generation, any reduction to Demand Capacity before the commissioning date would trigger liability. Reduction to Demand Capacity after the commissioning date would trigger a wider cancellation charge for direct connects (only if the applicable notice period is not given). Reduction to embedded Demand after the

commissioning date would not trigger any liability in the same way that it doesn't for embedded generation.

The Workgroup produced the following guidelines to differentiate between the two types of DNO Mod Apps:

Category 1: Triggered by Embedded Project

A DNO may decide that an embedded Demand connection is significant enough to trigger a Modification Application to NESO. There is currently no MW threshold to decide when this will happen, but a variety of factors are taken into consideration. This category is more straightforward to assign a Demand Capacity figure to, as there will be an MW figure for the embedded project which should be included in the Connection Agreement.

Category 2: Load Growth/Residual

A requirement for works which isn't associated with a specific embedded project. For example, many projects could have been connected over time which individually weren't significant enough to warrant a Mod App, but have contributed to a need for reinforcement at a GSP. In this case, the DNO should estimate how much additional capacity is required at a GSP.

The Workgroup discussed that this estimate should take into account the long-term Demand forecasts at the GSP. For example:

- DNOs capture these forecasts via the week 24 process, forecasting an 8-year period
- TOs carry out NETS Security and Quality of Supply Standards (SQSS) compliance assessments for each GSP, with any non-compliance discussed at technical planning meetings.
- A Modification Application may be submitted if reinforcement works are required to address non-compliance
- The difference between the maximum forecast in the 8-year period at which the GSP is compliant (i.e. the maximum point at which there is no need for reinforcement) and the highest forecast across the 8-year period

5. Wider reinforcement works

The Proposer's initial solution did not include use of the wider cancellation charge due to Demand historically not triggering works beyond the Connection Site. Some Workgroup members noted that Demand Users pay for part of wider reinforcement works through the Transmission Network Use of System (TNUoS) charging.

It was later discussed in the Workgroup that more recent Demand connections have been triggering wider investment, particularly with larger sites which have a more significant impact on the network.

The Proposer later amended their solution to include the use of the Wider Cancellation Charge for Demand, based on feedback from the Workgroup, as well as from technical network planning teams at NESO. From a technical perspective, it was recognised that Demand applications can contribute to wider network reinforcement, and as such it is appropriate that these also contribute to wider liability.

The Proposer confirmed that Electricity Ten Year Statement (ETYS) zones used for generation will apply to Demand for Wider Cancellation Charges. The Workgroup discussed whether the allocation model for cancellation charge recovery is appropriate if Demand and generation distributions differ by zone, and whether Demand MW in a zone should be treated the same as generation MW for cancellation charges.

A NESO Subject Matter Expert (SME) explained that under the process used for generation, it is already the case that specific wider works are not assigned to each zone. A total CapEx figure is calculated which covers the entire network. This is then apportioned to zones based on a percentage shared calculated by NESO based on the calculation inputs below:

Input	Source/Fixed Factor	Description
User Risk Factor	50%	The share of the wider risk between generation and consumers.
Global Asset Reuse Factor	33%	The percentage of the wider transmission assets which a TO could potentially reuse on another project.
Boundary levels	As per latest FES Scenarios / ETYS	Depth of each ETYS boundary multiplied by the increase in required capability on that boundary.
Boundary non-compliance factors	As per latest FES Scenarios / ETYS	Ratio between available capacity and required capability on each boundary.
Generation base	TEC and Interconnector Registers	Current and Future Generation by zone.
Capex data	TO forecasts	TO forecasts of load related and non-load related wider capex

Workgroup members supported this approach as long as the wider CapEx is not double counted.

The Proposer confirmed:

- There would be no double counting as there is one total CapEx figure produced which is divided across everyone all Users liable for the Wider Cancellation Charge. This would in practice mean some potential reduction in wider liability for Generators, due to the charge being divided across a larger total MW.
- The zones would remain consistent across generation and Demand.

The Workgroup discussed the User Risk factor which currently splits liability 50/50 between generation (Under User Commitment) and consumers (in TNUoS charges). Under the proposed change, User Commitment would still be assigned 50% of the total liability but is now shared between both generation and Demand.

The Workgroup discussed whether the User risk factor should remain at 50% now that Demand and generation would both share the Wider Cancellation Charge. The NESO SME advised that removing the User Risk Factor would increase securities for Generators. Any difference between TO invoices and Cancellation Charges collected from Users is in practice recovered via TNUoS charges. The Workgroup discussed that keeping the User Risk Factor at 50% therefore has some risk of increasing TNUoS tariffs, but this is not expected to be significant.

6. Process Overview

The Proposer brought to the Workgroup an example of the process overview shown below:

Application to NESO

New Transmission Connected Demand	Embedded Demand triggering Mod App	DNO Driven Works	Modification to Existing Agreement	Hybrid (Generation and Demand)
"Connection Site Demand Capability" included in BCA. This will reflect the maximum Demand required for the site and will be used as the Demand Capacity for securities	MW figure outlining required capacity for embedded project will be included in the Construction Agreement Appendix O. This will be the Embedded Demand Capacity	DNO requests the amount of additional capacity required at a GSP through their Modification Application. This will be the Demand Capacity	The difference between the "Connection Site Capabilitiy" in the new and old BCAs will be used as the Demand Capacity for securities	The highest out of Demand Capacity or TEC will be used for calculating liability. Note if there is a Mod App the highest element could change

Upon Signing Contract or Contract variation, User is liable for securities under CMP417. User must place securities within 30 days

Cancellation Liability = Attributable Liability + Wider Liability
Attributable Liability = Sum of Attributable Liability for each attributable scheme
Attributable Liability (each attributable scheme) = Spend to date (including 6-month forecast) x (1-LARF) x SIF

SIF = Demand Capacity (or Embedded Demand Capacity or TEC)/Scheme Capability
Wider Liability = Demand Capacity (or Embedded Demand Capacity or TEC) x Zonal Tariff x Wider Profile

Proportion of Liability which must be secured:

For Transmission: 100% Pre Trigger, 42% Post Trigger, 10% Post Consents
For Embedded: 100% Pre Trigger, 45% Post Trigger, 26% Post Consents

7. SIF Scaling

The Workgroup discussed the possibility of the total SIF for all Users sharing an Attributable Works scheme exceeding 100%, due to sharing between generation and Demand.

A simplified example of this would be an asset with a capability of 1000MW shared by a Generator and a Demand connection each with a capacity of 600MW. The SIF for each of these connections would be 600/1000 = 0.6. Therefore, the total SIF of the parties sharing the connection would be 1.2, i.e. more than 100%.

Workgroup members expressed concern that this would risk over-securing of transmission works by Users and discussed whether the solution should include scaling so that the combined SIFs for Users sharing an Attributable Works scheme would be capped at 100%. The Proposer concluded that scaling would not be incorporate into the solution on the following basis:

- The scope of CMP417 is specifically to address Demand securities. If a scaling mechanism was introduced so that combined SIF shouldn't exceed 100% for an Attributable Works scheme, there would potentially be a significant impact on Generator securities
- The over-securitisation risk does already exist for Generators. It is possible to exceed 100% SIF purely across a group of Generators (with even more possible over-securitisation across Final Sums and User Commitment as Final Sums does not include any reduction factors). There is a recognition that there are some frustrations about CMP192 securities, but the Proposer did not believe that the best place to address these would be through CMP417
- Additional complexity in updating SIF scaling and the potential uncertainty introduced for Generators/Demand connections when other applications cancel, i.e. as SIF would then need to be updated
- The risk of over-securing against the full asset cost is less likely than it may initially seem. This is because as well as SIF, every asset is also reduced by the LARF. In addition to this, depending on the status of connection, only a percentage of total liability may have to be secured
- Even with this risk present, the solution offers a significant improvement for Demand securities as Demand currently is liable for and must secure 100%

of the works triggered. CMP417 introduces User Commitment reductions based on SIF, LARF, and project milestones
- The Issue could be addressed by a future change where, if approved, CMP417 would have provided a level starting point between generation and Demand
- The aim of CMP417 is to provide parity between generation and Demand. Therefore, it would not be desirable to only introduce a cap/scaling to SIF for Demand but not generation.

Workgroup members asked how SIF would be applied for One-Off Works. The Proposer confirmed that:

- One-Off Works are only included in securities where they are not paid for upfront
- SIF and LARF would be set to 100% for these works
- There have been One-Off Works shared by multiple Users previously in Scotland, however in this region they are paid for upfront so there has been no need to include in securities
- If Shared in another region SIF could be used to apply a share

8. Demand Capacity

User Commitment for Generation uses the TEC for a connection to calculate both SIF and Wider Liability. The Workgroup discussed what the figure should be to use in place of this when calculating liabilities for Demand connections.

The Workgroup considered:

- Whether Demand Capacity should be given in MW or MVA. Workgroup members supported the use of MW going forward;
- Different scenarios for connections e.g. direct, embedded, DNO, existing, modifications;
- How the figure would be provided to NESO;
- Whether there should be a Demand Capacity register, similar to the TEC register and if this would impact on queue management.

Based on the feedback received, the Proposer's position was that the Demand Capacity figure should request the maximum demand required by the site and

should be fixed at the point of application. For most direct connections this is already in the BCA as the "Connection Site Demand Capability". It was also noted that if this is not available for any reason, the Connection Application portal also includes a Demand figure to be requested by the User.

For embedded Demand connections, the BCA would not align to a Demand Capacity figure in the same way. In this case the figure should reflect the maximum Demand required by the embedded connection, and should be included in the Construction Agreement. The Proposer later confirmed that a separate term "Embedded Demand Capacity" would be created, reflecting the difference between how this is provided for a direct or embedded connection.

Workgroup members discussed:

- Whether there is a defined Maximum Import Capacity for a DNO at a Grid Supply Point and if DNO specific Mod Apps should be based on total or incremental capacity, especially in cases where no such capacity is currently defined. The Workgroup agreed a guideline to use the DNO's long-term forecasts via week 24, to determine incremental capacity needs for a Mod App. For specific embedded projects, the Demand in the Construction Agreement Appendix O would be used
- For any Mod App, the trigger for works should be the increment above the existing connection site Demand Capability, not the total new Demand. Only the excess over the current capability should be considered for calculating liability.

A Workgroup member expressed concern that the proposed approach of using incremental capacity (the increase) for SIF calculations does not align with the explicit wording in the codes, which specify total capacity rather than just the increase. They believe this approach is not consistent with the current documented requirements.

The Proposer considered how the liability should be calculated for incremental capacity increases at existing Generator or Demand sites, confirming that the current approach used for generation is to base liability only on the increase (incremental capacity), not the total capacity.

It was emphasised that this aligns with the original intention of CMP192, which was to base liability on new capacity, and stated there is no intention in changing to an approach which would increase liability for some Generators. The same method is proposed for Demand sites, meaning that if a connected Demand site applies for a Mod App to increase their Demand Capacity, only the increase will be taken into account.

The Workgroup discussed including a guidance note to explain how the incremental approach is applied for securing capacity, ensuring consistency, clarity with different scenarios (i.e. where technology changes or increases in capacity and can affect how liabilities are calculated).

The Workgroup also discussed staged projects. The Proposer confirmed that a new security statement would only be created between stages if there was an increase in Demand Capacity:

- For example, if a Generator was moving from non-firm to firm between stages, it would all be covered under one security record
- If there is an increase in TEC or Demand security, then the incremental capacity will be used for the purpose of calculating SIF and wider liability for that stage

9. Cost Examples

The Proposer provided Workgroup with some example scenarios showing before and after views of Final Sums liability vs User Commitment. These are provided below:

1 Table showing snapshot Final Sums vs User Commitment in 4 different example scenarios

Scenario	Final Sums	User Commitment - Security	User Commitment Cancellation Charge	Wider Liability	Attributable Liability	Reduction (Security)	Demand Capacity
A	£400,000,000	£34,000,000	£34,000,000	£0	£34,000,000	91.5%	26MW
B	£8,500,000	£58,000	£580,000	£60,000	£520,000	99.3%	10MW
C	£740,000	£23,300	£233,000	£220,000	£13,000	96.9%	26MW
D	£320,000	£145,000	£145,000	£0	£145,000	54.7%	150MW

A – Pre Trigger so no Wider Cancellation Liability. 100% of cancellation charge must be secured

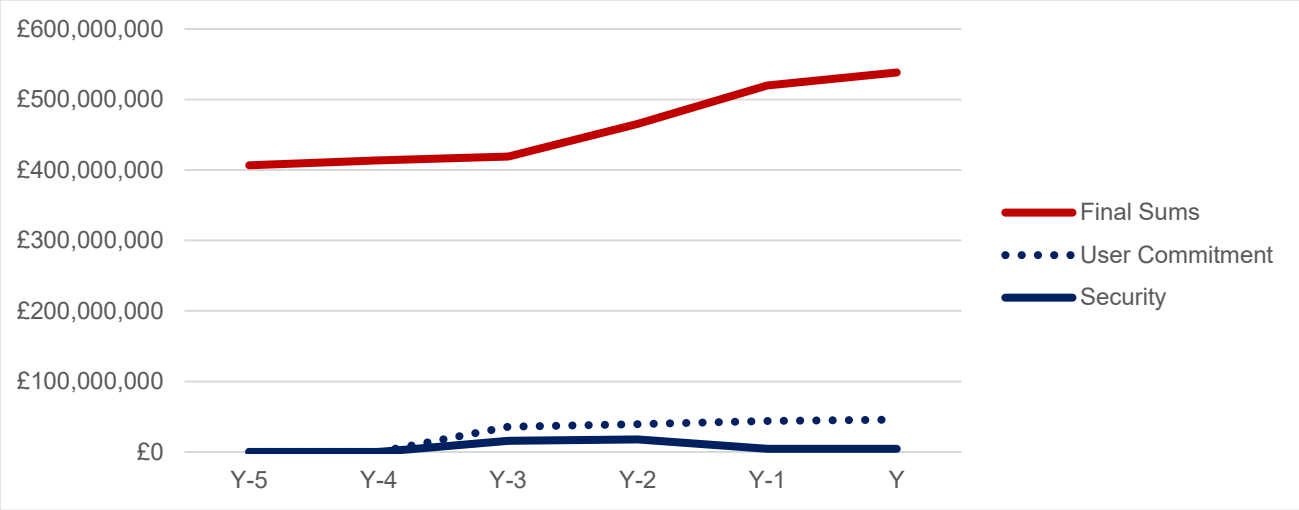
B – Post Trigger, 10% of cancellation must be secured, 1 year before connection so wider is 75%

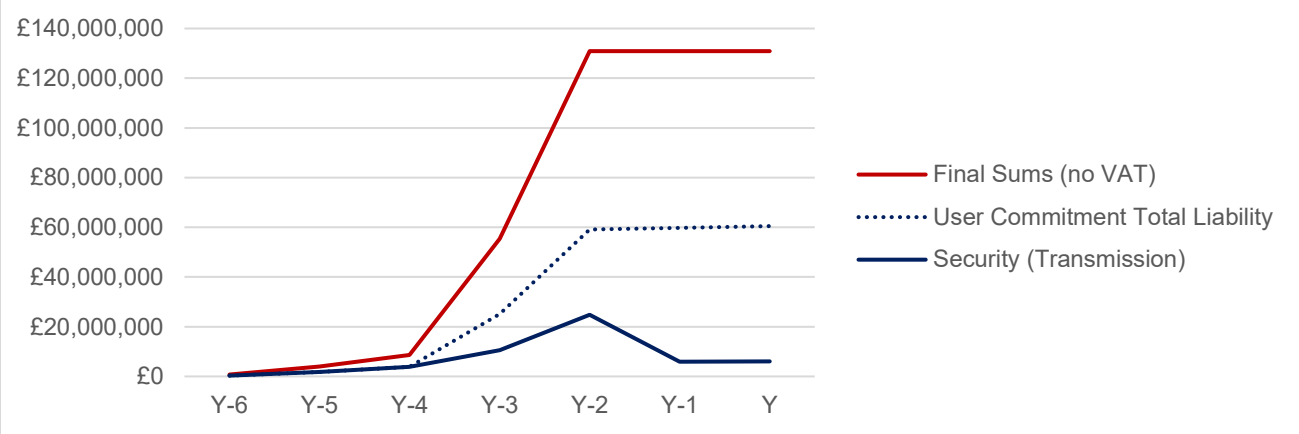
C – Post Trigger, 10% of cancellation must be secured. Year of connection so wider is 100%

D – Pre Trigger so no Wider Cancellation liability. 100% of cancellation charge must be secured

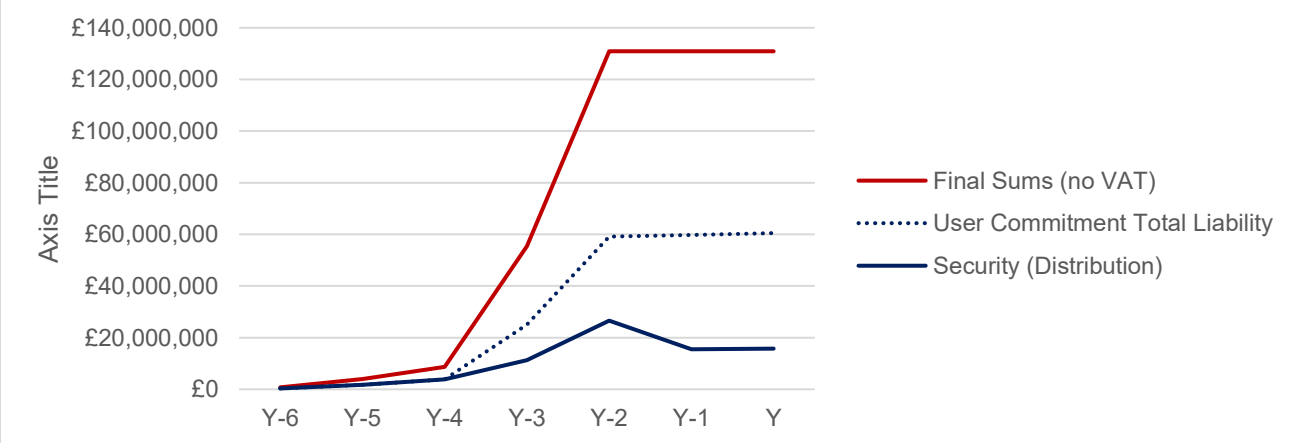
2 Timelines showing Final Sums vs User Commitment for a project over time. This has been produced in two different versions – one assuming % of liability which has to be secured based on a transmission Project, and the other assuming a distribution connected project. The other inputs are all the same.

Transmission Connected:





Distribution Connected:



1. Additional timeline example showing a project with higher securities
2. Example showing an example with long connection assets predominantly built to accommodate a single connection. In this example, reduction would be expected to be less significant (due to high SIF and LARF)

    - Connection in Scotland with sole use assets installed
    - Circuits to be installed are longer than 2km so classed as reinforcement rather than connection assets
    - Assume circuits are more or less matched to site requirements – SIF is likely to be close to 100% as Circuit capability matches with Demand capability of site
    - Possible that LARF may be relatively high too – assume around 25%
    - Large Connection with a Demand capacity of 900MW
    - Assume in year of connection – liability reduction is much lower, although security requirements would still drop significantly as post trigger

Final Sums	User Commitment - Security	User Commitment Cancellation Charge	Wider Liability	Attributable Liability	Reduction (Security)
£180,000,000	£14,220,000	£142,200,000	£7,200,000	£135,000,000	92%

In addition to the above examples, a calculator has been provided in **Annex 03** to test out different scenarios.

10. Implementation

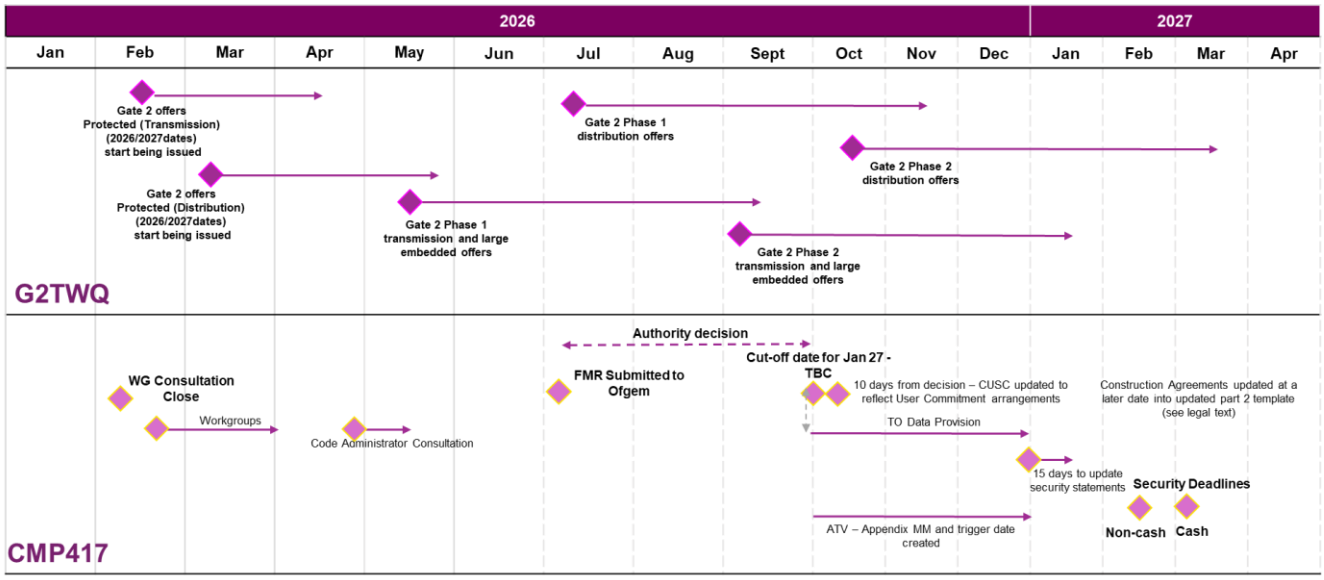
Prior to the hiatus, an implementation target date was set for July 2024 for new Users, with existing Users under Final Sums methodology requiring a transitional period of 12 months. This would allow for contracts to be amended individually. Several Workgroup members queried whether during the transitional period the following would be waived:

- additional Final Sums payments; and
- Final Sums cancellation charges.

No updates were given prior to the hiatus on any interim arrangements.

Post Hiatus

The Proposer outlined the target timeline below.



Following Authority decision, the following would need to be provided by TOs to NESO:

- TOs are required to identify Attributable Works for Demand schemes, and provide Scheme Capability and LARF for these
- Transmission Owner Construction Offers (TOCOs) to be updated with the above information
- TOs to update 6 monthly scheme spend profiles to ensure all Demand attributable schemes are included

The above information would be required by the end of December 2026 to apply CMP417 to securities for the April – September 2027 period, with security statements to be sent out in January 2027. If this is not achievable, then implementation would be for the October 2027 – March 2028 period.

The Proposer presented some project numbers to the Workgroup which included projects that don't have a positive Demand Capacity figure for, and projects which are below 0.5MW for those which may have included a small number as a work-around:

Year	Applications	Without Demand Cap	Demand Cap below 0.05MW (or not included)
2023	153	19	26
2024	191	2	15
2025	345	3	16

The Workgroup discussed concerns about the practicalities of implementing the modification, particularly ensuring enough time for data provision from the TOs to NESO and the process for revising Construction Agreements for existing schemes and the timing relative to security windows.

11. Interactions with STC

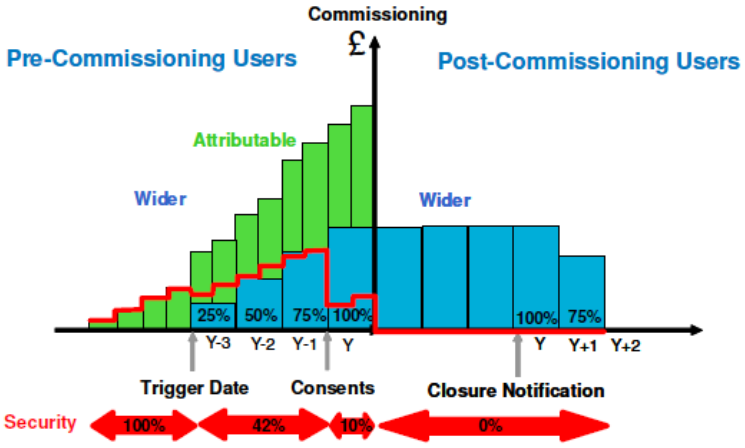
Modification CM093 was raised to deal with the required changes out of CMP417. CM093 would particularly focus on SIF and LARF for all Users and not just those currently specified in STC Section 9. CM093 was paused until feedback was provided on the CMP417 solution. Workgroups re-commenced on 14 October 2025.

The Workgroup discussed the approach to hybrid sites where a co-located site with generation and Demand connecting would get two security statements for the generation and Demand components. They noted that discussions would need to take place in CM093 to decipher the details of how requirements are usually driven by generation or Demand and how TOs identify scheme drivers. It was stated that it was important that TOs provide clear data whether works are import or export driven.

12. Security vs Liability

CMP417 proposes to use the same relationship between security and total liability as introduced for Generators in CMP192. Liability is the total of the attributable and wider cancellation charges, while security is the proportion of liability which must be secured at any point in time. Pre trigger this is always 100%, whilst post trigger the percentage will vary based on whether it is a transmission or distribution connection, and whether consents have been achieved. Post commissioning there is no security requirement, though the Wider Cancellation Charge can still apply.

Security Requirement		Transmission	Distribution
Pre-Trigger	Not Consented	100%	100%
	Consented	100%	100%
Post-Trigger	Not Consented	42%	45%
	Consented	10%	26%



13. Consideration of other options

During discussions, the Workgroup also queried whether the term 'Seven Year Statement' could be amended to 'ETYS' within the CUSC as Workgroup members believed the term was outdated. The Proposer advised that this would be out of scope of the modification due to the cross-code impacts, with the term also referenced within the Grid Code and STC.

14. Ofgem Letter to industry 06 November 2025

On 06 November 2025, Ofgem published an open letter to industry entitled:

"Our response to the recent surge in demand connection applications, the volume of which is misaligned with the most ambitious demand forecasts".

One of the key issues raised was the high priority attached to CMP417. The Workgroup considered the project timeline in the light of this, and a request from the CUSC Panel. This resulted in a shortening of the project timeline, which was agreed by the CUSC Panel. The new deadline for the Final Modification Report (FMR) to be sent to Ofgem is 06 July 2026, meaning it has been brought forward by two months compared to the original timeline.

Workgroup Consultation Summary

The Workgroup held their Workgroup Consultation between 19 January 2026 and 6 February 2026 and received 11 non-confidential responses, 1 late non-confidential response and 1 confidential response. The full responses and a summary of the responses can be found in **Annexes 05** and **06**.

Summary of the Workgroup Consultation Responses

Objective facilitation:

- 1 respondent agreed that the original solution better facilitates objective (i)
- 7 respondents agreed that the original solution better facilitates objective (ii)
- 8 respondents agreed that the original solution better facilitates objective (iv)

Implementation approach: 6 of 11 respondents support it (but there was general support for the principles of the modification itself)

Legal text: 8 respondents believe it meets the intent of the modification

EBR impacts: None identified

Key benefits cited:

- Fairer treatment for Demand projects
- Simpler securities process and reduced administration
- Lower entry barriers and increased competition

Main issue: Implementation process and timing.

No respondents opposed the principles; queries focused on detail and execution.

Implementation timing concerns:

- Support for a January 2027 start, but respondents request approximately 3 months' notice between Ofgem approval and implementation
- One respondent wants implementation before further Gate 2 offers.

Responses to specific questions asked by the Workgroup

Q7 Do you support the inclusion of wider cancellation liability for Demand projects?

- 100% support.
- Reasons: shared causation for wider works, fairness, and recognition that Demand can drive reinforcement as much as generation.

Q8 Do any parts of the solution require additional clarification?

4 respondents requested clarification, citing:

- Implementation timescales
- Transitional arrangements from Final Sums to the revised process
- Whether cancellation applies if generation reduces at a Demand dominant site
- Clearer examples of how zonal amounts reflect both Demand and generation works.

Q9 Is it clear how the Demand Capacity figure should be calculated and provided to NESO?

3 respondents said "No."

Issues:

- For directly connected distribution systems, Demand Capability should reflect GSP capability aligned with DNO obligations
- Uncertainty around the "specific point in time" reference
- Lack of clarity on dispute resolution if NESO and the User cannot agree a value.

Q10 Do you believe any projects could be adversely impacted by this proposal?

4 respondents said "Yes."

Concerns included:

- Short term impacts depending on timing of approval vs Gate 2 offers
- Risk to Embedded Users if DNO methodologies aren't consistent
- Potential increase in applications due to lower securities, reducing capacity for others
- DNO concern about not paying securities for forecast Demand growth, especially if Demand Capability reduces due to policy or environmental factors.

Q11 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?

100% support.

- Rationale: one BCA per site → one security statement is practical.
- Mixed views on using the highest MW figure: some support it; others want security to reflect electrical impact.
- Issues to resolve:
    - How cancellation charges work if non-dominant use decreases
    - Risk of over-securitisation from inaccurate SIF (e.g., reinforcement triggered by Demand, but generation figure used).

Key Concerns Across the Responses

Implementation process and timescales:

- Need for clear guidance for Demand Users, especially existing ones
- Alignment with remaining Gate 2 offers
- Adequate notice for TOs/DNOs to update customer data ahead of January 2027
- Strong requests for Ofgem to approve the modification swiftly.

Risk of influx of non-viable demand schemes, mitigated through viability and strategic alignment criteria.

Additional detailed issues raised:

- Cancellation charges
- Load forecasting

- Impact on Zonal Unit Amount
- Implementation guidance
- Clarification for hybrid schemes.

Summary of Workgroup Discussion on the Consultation Responses

Implementation Comments

- Concerns were raised that if the FMR is submitted in July, the Authority may not have sufficient time to issue a decision. The Chair confirmed submission has already been brought forward and may be considered further depending on NESO–Authority discussions.
- Workgroup members highlighted the need for adequate time for the Authority to issue a decision and for TOs to provide required data before NESO deadlines. The Proposer advised the Workgroup considerations had been taken into account for TO's minimum timeframes for implementation.
- The Workgroup discussed the importance of clearly identifying these minimum lead times within the implementation timeline to ensure feasibility and to inform the decision point required to align with the January security run.
- A Workgroup member queried whether TOs would be required to provide attributable data for Demand as current requirements apply only to generation. The Proposer confirmed that the CMP417 legal text aligned with CMP093 and extends the definition of Attributable Works to include Demand connections.

Other Comments

- A Workgroup member queried how cancellation charges would apply when a site's dominant use changes. They noted that reducing non-dominant use may not incur charges, though this may fall outside the current modification. The Proposer agreed this risk may need addressing in a future modification.
- A Workgroup member cautioned that lowering security requirements could conflict with the Authority's aim to strengthen queue entry criteria and may enable fewer viable projects to progress.
- Another Workgroup member noted high securities are not a deterrent for data centres, so reductions may not increase their applications, though other Demand customers could be affected. They also emphasised the need for

consistent DNO methodology and confirmed DNOs should not pay securities for forecast Demand growth. The Proposer clarified the modification aims to align securities with actual Transmission Works and that incentives for project viability are a separate issue. DNOs would only face cancellation charges if a submitted application is cancelled.

- A Workgroup member raised concerns that using dominant use (generation or Demand) for SIF calculation could lead to inaccurate security levels and misallocation of costs. The Proposer explained that hybrid site works are secured once, based on the higher capacity but acknowledged no mechanism currently exists to avoid over or under-securing across multiple sites. The Proposer considered the point further and NESO's position is still that no scaling should be applied to SIF as part of CMP417 due to interaction with generation securities. However, this issue could be considered in a future modification.
- A Workgroup member highlighted the potential future change, observing that Demand customers could otherwise be subject to two rounds of changes to securities arrangements if a further modification were brought forward later.
- A Workgroup member raised their concerns that current SIF and LARF applications can result in 'over-securitisation', potentially requiring customers to provide security in excess of scheme costs. They highlighted this as a financial burden not fully aligned with the original intent of capping customer exposure.

Further Workgroup considerations

Ofgem Letter Published 13 February

The Workgroup discussed the Ofgem call for input Demand connections reform | Ofgem which built on the Demand connections update published on the 13 February.

The Workgroup shared their concerns that reducing the level of securities could conflict with the Authority's objective to strengthen queue entry and membership criteria, potentially allowing fewer viable projects to progress. It was noted that existing high security requirements are not a significant deterrent for data centres, but that there is still a significant impact on other demand stakeholders that CMP417 would address.

It noted that alternative financial mechanisms for data centres could be considered separately as part of the Demand connections work, but could take into account the net impact across the financial mechanism and CMP417.

DNO Considerations

The need for a consistent methodology across DNOs was emphasised, with agreement that DNOs should not face cancellation charges for Demand Forecasts reducing. In response, the Proposer clarified that under CMP417 liability would only be triggered when there is a Connection Application or Modification Application. The Demand Forecast would only be used to create the 'Demand Capacity' figure when a DNO submits a Mod App for works not required for an embedded customer. The Demand Capacity would not be reduced if the forecast subsequently reduced and as this would not trigger any cancellation charge.

Hybrid Sites

The Workgroup considered how to treat hybrid sites with both generation and Demand, where some works may support one or both activities. Under the Proposal, securities would be based on the higher of generation or Demand capacity, affecting the SIF and cancellation charges.

The Workgroup discussed how cancellation charges would be calculated where the non-dominant use of a site changes. It was noted that a reduction in the non-dominant use may not give rise to a cancellation charge.

The Proposer advised that:

- If as a result of cancelling the non-dominant technology there are abortive works (Transmission Construction Works which the TO has started and which are no longer required as a result of the change), there will be an abortive works charge
- In this case, there will be an Agreement to Vary to update the contract. The abortive works will no longer be included in the list of Attributable Works for the connection
- There will be a reduction fee (as defined in the Construction Agreement) to cover the cost of the abortive works.

- If cancelling the non-dominant technology does not lead to any abortive works, and the dominant technology is not cancelled, there will be no cancellation charge
- This approach should provide a balance between avoiding duplication of costs, keeping the process simpler and ensuring that costs are still recovered when cancellation leads to works no longer being required. However, if the modification is implemented any changes in behaviour would be assessed and a future change could be raised if necessary

The Workgroup discussed staged commissioning of hybrid sites. New security statements are usually issued where capacity increases between stages, but the treatment of multiple statements and related cancellation charges is outside the scope of CMP417 and may require future consideration.

SIF

The Workgroup discussed their concerns that calculating the SIF based on dominant use (generation or Demand) could result in over or under securing of works, particularly where reinforcement is required for only one use type, potentially leading to cost misallocation. The Proposer explained that for hybrid sites, works are secured once using the higher of generation or Demand capacity but acknowledged that there is currently no mechanism to prevent over or under securing across multiple sites.

NESO Cashflow

The Workgroup discussed the impact on NESO cashflow, on the basis of securities potentially reducing and causing an impact. Generally, securities do not present a cashflow risk, other than the following scenario:

- Connection cancels contract
- User defaults/is unable to pay the full charge
- NESO draws down on securities, but is unable to collect the full cancellation amount

In this instance there is a shortfall in revenue which will eventually be socialised via TNUoS but in the short term presents a cashflow risk. It is a risk which is only present in User Commitment as under Final Sums security is always equal to liability.

The Workgroup discussed that examples of this happening for generation are rare and that as this is a risk which is already present. For a significant percentage of projects, there should not be an increase in risk. It was also raised that there is a possibility of over-securitisation in User Commitment which would reduce the level of this risk.

The Proposer clarified that the assessment related to NESO cashflow rather than customer financing impacts. A Workgroup member highlighted the importance of clearly distinguishing between NESO cashflow risk and the costs incurred by Users in providing securities.

Consumer Impact

The Workgroup discussed the consumer impact on the basis of CMP417 increasing the chance that there will be a delta between TO invoices and revenue collected due to cancellations. Risk increases because, in general, security and liability expected to reduce. However, as with User security, the principles used for CMP417 are designed to more accurately reflect the share of Transmission Reinforcement Works that a User triggers. Using the same principles for generation under CMP192 has not triggered a significant consumer impact.

The following additional information was shared with the Workgroup:

- Previously less than 0.05% of TNUoS required revenue has been due to a shortfall from securities
- Terminations are uncommon: around 60 projects across 2022 – 2024 period
- Any reduction in cancellation charges expected to be of a low magnitude relative to TNUoS revenue

The Workgroup discussed that while CMP417 reduces cancellation liabilities, this is not expected to materially increase consumer risk given the low frequency of terminations and the continued possibility of some projects remaining over-secured.

A Workgroup member queried whether the potential reuse of assets from cancelled projects is reflected in the analysis. The Proposer responded it would depend on accounting treatment and timing and acknowledged this as an area for further consideration.

Overall, the Workgroup noted that any consumer impact arising from CMP417 is expected to be low in magnitude and consistent with existing arrangements.

Terms of Reference Overview

a) Consider EBR implications

The Workgroup noted that Article 18 of the Electricity Balancing Guideline (EBGL) is specifically about frequency restoration and replacement reserves, and the modification is not relevant to this. Therefore, there are no EBR implications.

b) Consider the transitional arrangements

The Workgroup has considered the issues, process and timetable for the start of the new arrangements. The focus has been for commencement in the January 2027 Securities window, with consideration of the challenges and data requirements in the months preceding this date. A timeline which covers these transitional arrangements has been included in the implementation section of Workgroup considerations and the legal text in Section 15 outlines these arrangements.

c) Consider interactions with other codes or code modifications

The Workgroup has noted the need for the consequential STC modification, CM093. The Proposer of this modification reports relevant updates to each Workgroup of CM093, where the timeline is synchronised with the progress of this modification.

d) Consider interactions with NESO connections reform recommendations

The Workgroup has considered the commencement of the solution in the modification which is timed for January 2027. This will mean that there will be minimal overlaps with the new offers for customers that are receiving “Gate 2” offers. Only those customers which are successful in receiving these offers will fall under the new securities and liabilities rules contained within this modification. The timeline in the Implementation section demonstrates the interaction of CMP417 with Gate 2 offers.

e) Consider financial consequences to Users

The Workgroup has considered different User scenarios. This report contains worked examples of the effect on transmission connected and distribution connected Users. A calculator for Users was developed by a Workgroup member and appears as **Annex 03** to this report.

f) Consider cash flow implications on NESO

The Workgroup discussed the potential impact on NESO cashflow, included in "Further Workgroup Considerations" section of this report. It is expected that impact on NESO cashflow will be minimal, with occurrences of Users not being able to pay full cancellation amounts rare.

g) Consider the interaction between Demand and generation securities

The Legal Text sets out the interaction and equal treatment of Demand and generation securities. The Workgroup has considered financial models for securities for pure Demand, pure generation, and hybrid sites. The Wider reinforcement works section of this report outlines the interaction between generation and Demand when calculating wider liability. The SIF scaling section outlines the reasons why the Proposer decided against SIF scaling due to excessive impact on generation securities.

What is the impact of this change?

This change will provide a level playing field across generation and Demand, simplifying security arrangements so that all Users are captured in Section 15. It will remove disproportionately high securities and liability faced by some Users.

Proposer's assessment against Code Objectives

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** Extending Section 15 to all Users removes the two-tier process between the existing security methodologies and ensures that Users have clarity over their financial securities and liabilities. This will ensure that User Commitment arrangements do not unduly restrict new developments and facilitate competition.
(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.	**Positive** Having a User Commitment Methodology which applies to all Users will help with the administration of 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.*

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	**Positive** Reducing security provisions for Users who are currently on Final Sums methodology may help ensure more renewable energy is connected to the network by making connections more accessible. This will likely improve security of supply by providing more options to help balance the system.
Lower bills than would otherwise be the case	**Neutral**
Benefits for society as a whole	**Positive** Supports the electrification of Great Britan (GB) which will have a positive impact on local infrastructure.
Reduced environmental damage	**Positive** Reducing security provisions for Users who are currently on Final Sums methodology may help ensure more renewable energy is connected to the network by making renewable connections more accessible.
Improved quality of service	**Positive** Linked to the point above, connecting more renewable energy will help the UK work towards their net zero target. More widely, there is industry drive to incentivise more Demand into the market to support UK PLC economic growth, development of cloud capability to meet market needs and support new housing developments particularly in

	London regions and surrounding suburban areas. The incentivisation of Demand supports UK progress to net zero.

Workgroup Vote

The Workgroup met on 31 March 2026 to carry out their Workgroup Vote. The full Workgroup Vote can be found in **Annex 07**. The table below provides a summary of the Workgroup members' view on the best option to implement this change.

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

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.*

The Workgroup concluded unanimously that the Original better facilitated the Applicable Objectives than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	9

Code Administrator Consultation Summary

The Code Administrator Consultation was issued on 28 April 2026 and closed 20 May 2026 and received 12 non-confidential responses. A summary of the responses can be found in the table below, and the full responses can be found in **Annex 10**.

Code Administrator Consultation summary	
Question	
Do you believe that CMP417 Original Proposal better facilitates the CUSC Applicable Objectives?	Four respondents stated that the change would better facilitate objective (i) Ten respondents stated that the change would better facilitate objective (ii) Two respondents stated that the change would better facilitate objective (iii) All respondents stated that the change would better facilitate objective (iv)
Do you support the proposed implementation approach?	Nine respondents supported the proposed implementation approach and three respondents did not.
Do you have any other comments?	Consultation responses indicated a clear preference for the Original Proposal over the baseline with CMP417 removing barriers for demand users, addresses outdated reliance on 100% Final Sums, improves cost reflectivity and ability to finance and creates a more equitable and consistent framework across Users. Several consultation respondents also highlighted that the proposal better reflects modern demand led development and could simplify administration by

	consolidating requirements into a single methodology. Consultation responses views on implementation were mixed. Some respondents supported the proposed approach, where it would allow transition ahead of the January 2027 securities run and provide consistency across users, subject to timely regulatory approval, clear communication and appropriate preparation. Other respondents considered the implementation timeline too compressed given the scale of impacted agreements and the need to align CMP417 with wider Ofgem demand reforms, Connections Reform and Gate 2 interactions. One respondent favoured earlier implementation to avoid short term high security payments and working capital pressures. Some consultation respondents highlighted a need for NESO to provide clearer definitions and transition arrangements, greater transparency on Demand Capacity and enabling works cost calculations, improved customer visibility of asset information and better engagement and supporting guidance. Some respondents queried whether liability percentages and cancellation approaches were being applied consistently across Transmission, Generation, Demand and DNO customers. Consultation respondents were supportive overall, but highlighted potential unintended

	consequences, including the risk that revised or reduced demand securities could encourage speculative or non-viable applications, increase administrative burden or exacerbate existing queue management issues.
Legal text issues raised in the consultation	
One respondent suggested legal text drafting lacks clarity on whether demand liability is based on a fixed contractual MW value or a forecast-based capability value and when that value is set. The respondent queried whether the transition arrangements in Section 15 could create temporary inconsistencies between legacy agreements and the new security framework. A typo was also highlighted with an additional word 'until' added in clause 8.5. The respondent suggested parts of the demand-specific drafting in Schedule 2 appear too heavily adapted from generation style wording, which may introduce ambiguity despite the intended policy outcome.	
EBR issues raised in the consultation	
No EBR issues were raised	

Panel Recommendation vote

The Panel will meet on 26 June to carry on their recommendation vote.

They will assess whether a change should be made to the CUSC by assessing the proposed change and any alternatives against the Applicable Objectives.

Panel comments on Legal text

Ahead of the vote taking place, the Panel will consider the legal text amendments proposed as part of the Code Administrator Consultation and agree next steps. The suggested changes can be found in **Annex 11.**

When will this change take place?

Implementation date

From 10 Business Days following the Authority decision, as follows:

- Any clock started applications and modification applications will be implemented 10 Business Days from the Authority decision will begin their contracts under the User Commitment Methodology
- Existing Users under Final Sums methodology will require a transitional period post the decision from the Authority. During this period Construction Agreements will be updated with User Commitment approach ahead of the next security window.

Date decision required by

In order to deliver the implementation process set out in this report, a decision is required by September 2026.

Implementation approach

The target is to have all Demand Users transitioned onto User security during the January 2027 securities run. This would require updated data from TOs to be provided by 31 December 2026, including Attributable Works for Demand applications, alongside scheme capabilities and LARF. Following this, NESO will update Construction Agreements for existing applications and produce updated security statements using the updated methodology. New applications received 10 days after Authority Decision will begin their contracts under the User Commitment Methodology. It is recognised that a period of around 2-3 months will likely be required between Authority Decision and full data provision from TOs to NESO.

Interactions

☐Grid Code	☐BSC	☒STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs	☐Other modifications	☐Other

STC and System Operator Transmission Owner Code Procedure (STCP) changes are required as a result of the removal of the Final Sums methodology. These would be consequential modifications, as existing Users will remain on Final Sums methodology in their agreements during the transition period.

CM093 was raised in November 2023 and had its first Workgroup meeting in January 2024.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BEGA	Bilateral Embedded Generation Agreement
BCA	Bilateral Connection Agreement
BSC	Balancing and Settlement Code
CapEx	Capital Expenditure
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
DNO	Distribution Network Operator
EBGL	Electricity Balancing Guideline
EBR	Electricity Balancing Regulation
ENA	Electricity Network Association
ETYS	Electricity Ten Year Statement
FMR	Final Modification Report
GB	Great Britan

GSP	Grid Supply Point
LARF	Local Asset Reuse Factor
MITS	Main Interconnected Transmission System
Mod App	Modification Application
MW	Megawatt
MVA	Megavolt-ampere
NESO	National Energy System Operator
NETS	National Electricity Transmission System
SGT	Super Grid Transformer
SIF	Strategic Investment Factor
SME	Subject Matter Expert
STC	System Operator Transmission Owner Code
STCP	System Operator Transmission Owner Code Procedure
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TEC	Transmission Entry Capacity
The Company	National Grid Electricity System Operator Limited
TO	Transmission Owner
TOCOs	Transmission Owner Construction Offers
TNUoS	Transmission Network Use of System

Reference material

- Section 15 User Commitment Methodology
- Modifications which have moved Users to Section 15 of the CUSC:
  - CMP192 Arrangements for Enduring Generation User Commitment
  - CMP222 User Commitment for Non Generation Users
  - CMP223 Arrangements for Relevant Distributed Generators under the Enduring Generation User Commitment
- Ofgem Demand Connections update dated 06 November 2025

Annexes

Annex	Information
Annex 01	Proposal form
Annex 02	Terms of Reference
Annex 03	Liabilities Calculator
Annex 04	Legal Text
Annex 05	Workgroup Consultation Response Summary Table
Annex 06	Non-Confidential Responses
Annex 07	Workgroup Vote
Annex 08	Workgroup Action Log
Annex 09	Workgroup Attendance
Annex 10	Code Administrator Consultation responses and Summary
Annex 11	Summary of Legal Text queries raised through Code Administrator Consultation