Code Administrator Consultation

CMP470:

Introducing an Oversubscribed Technologies Commitment Fee

Overview: This modification seeks to introduce a floor on securities through an Oversubscribed Technologies Commitment Fee for all technologies which are oversubscribed relative to Clean Power 2030 capacity targets.

Modification process & timetable

1. **Proposal Form**
   27 March 2026
2. **Workgroup Consultation**
   24 April 2026 – 30 April 2026
3. **Workgroup Report**
   15 June 2026
4. **Code Administrator Consultation**
   23 June 2026 – 30 June 2026
5. **Draft Final Modification Report**
   06 July 2026
6. **Final Modification Report**
   14 July 2026
7. **Implementation**
   10 Business Days after Authority Decision

Have 10 minutes? Read our Executive summary
Have 300 minutes? Read the full Code Administrator Consultation
Have 500 minutes? Read the full Code Administrator Consultation and Annexes.

Status summary: The Workgroup have finalised the Proposer's solution as well as six alternative solutions.

This modification is expected to have a: High impact on generation Developers and a **Medium Impact** on Transmission Owners

Governance route	Urgent modification to proceed under a timeline agreed by the Authority (with an Authority Decision)	
Who can I talk to about the change?	**Proposer:** Andrew Enzor Andrew.enzor@field.energy	**Code Administrator Chair**: Claire Goult Claire.goult@neso.energy
How do I respond?	Send your response proforma to cusc.team@neso.energy by **5pm** on **30 June 2026**	

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Executive Summary

The National Energy System Operator (NESO) Connections Reform programme[1], known as Target Model Option 4 Plus (TMO4+), aimed to enhance network planning and boost investor confidence by ensuring only "ready" and "needed" projects received Gate 2 status and corresponding Offers to connect to the electricity system. The allocation by NESO of '*protected*' status to projects has led to an '*oversubscription*' with more projects (megawatts - MW) receiving Gate 2 status than what the NESO/ Department for Energy Security and Net Zero (DESNZ), via the Clean Power 2030 (CP30) Action Plan, say is needed. This is particularly notable for Battery Energy Storage Systems (BESS) projects. This oversubscription undermines the intended benefits of TMO4+, as Transmission Owners (TOs) cannot confidently plan the network and connections for all projects that are delayed due to uncertainty and connection queue congestion.

What is the issue?

The Proposer asserts that changing protections introduced by CMP434 and CMP435, for projects that are seeking to connect, would undermine investor confidence, so NESO needs an alternative approach to swiftly reduce oversubscribed technologies without harming established contract terms.

The Proposer considers that, currently, there is insufficient incentive for unviable projects to leave the new (post the Gate 2 to Whole Queue (G2tWQ)) connections queue arrangements implemented via CMP435 and no mechanism to prioritise the most economic projects.

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

Proposer's solution: The Oversubscribed Technologies Commitment Fee (OTCF) is a financial measure intended to ensure efficient use of grid connections. It is a liability and associated security applied to projects within an oversubscribed technology type. The floor acts as a top-up to ensure the overall Cancellation Charge (liability) and Cancellation Charge Secured Amount (securities) both meet a defined minimum. It is recalculated for each project biannually based on the level of oversubscription for each technology and each project's pre-existing securities profile. The OTCF remains in force until a project's energisation or its deactivation, with its level and applicability adjusted according to changes in oversubscription and technology capacity targets and includes co-located and both Transmission and distribution (i.e. embedded) connected projects (including generation and interconnectors but excluding Demand). The cancellation

[1] Connection Reform

charge and securities floor against would only be introduced if oversubscription (in a particular technology) is above 50% and would initially be set at £3k/MW. It would be reassessed ahead of each future biannual securities statement, and if oversubscription (in that technology) has reduced by less than 25% (or has increased) the floor would first ramp to £5k/MW and then in £5k/MW increments up to a maximum level of £25k/MW. It would be disapplied if oversubscription (in that technology) dropped below 25%. A targeted exemption would be applied to any co-located project where (i) the oversubscribed technology connects after another technology, (ii) it has no associated increase in TEC, and (iii) drives the total sum of Attributable Works and connection costs of less than £250k.

Implementation date: 10 Business Days after Authority decision

Summary of potential alternative solution (S) and implementation date (s):

Six Workgroup Alternative CUSC Modifications (WACMs) have been raised:

WACM1 – OTCF Limit
Limit the OTCF securities floor at the maximum security that a project would be required to place under its existing security profile.

WACM2 – Disapplication when all Queue Management Milestones are met
Disapplying the OTCF to projects where they have met all Queue Management Milestones.

WACM3 – Liabilities Floor

1. The OTCF commences at a value of £2k/MW with increments of £2k/MW at each 6 monthly charging blocks if oversubscription has reduced by less than 25%, up to a maximum level of £8k/MW
2. The OTCF value is a floor on the project liabilities. Securities are then calculated from the liabilities value as per the existing CUSC methodology.
3. The OTCF is disapplied when all Queue Management Milestones have been met (as in WACM2)

WACM4 – Included co-located and staged projects within scope
Co-located and staged projects of oversubscribed technologies remain liable for the OTCF regardless of whether the second and subsequent connection has no attributable works or connection costs.

WACM5 – Two-Stage OTCF

1. A two-stage OTCF structure based on the project connection date, with a lower far-term OTCF rate for pre–Trigger Date
2. A limit preventing the OTCF from exceeding the project's Maximum Cancelation Charge Secured Amount at each biannual securities statement (as in WACM1)
3. The OTCF is disapplied when all Queue Management Milestones have been met (as in WACM2)

WACM6 - OTCF limit and no exceptions for co-located projects

Limit the OTCF Floor at the maximum security that a project would be required to place under its existing security profile (as in WACM1). The solution also includes that there are no exceptions for co-located projects (as in WACM4).

The implementation dates and activation approaches of all these solutions are the same as the Original proposal.

What is the impact if this change is made?

The change will impose higher Cancellation Charges and securities on Developers of oversubscribed technologies. But the Proposer considers that, in the medium term it will benefit all Developers and TOs by streamlining the connection queue and accelerating network connections.

Workgroup conclusions: The Workgroup concluded by majority (out of 36 votes noting that one member chose to abstain from the vote) that the Original solution and WACM4 better facilitated the Applicable Objectives than the baseline.

Interactions

No interactions currently identified.

What is the issue?

What is the defect the Proposer believes this modification will address?[2]

The two primary intended benefits of Connections Reform, as stated by Ofgem in its 15 April 2025 TMO4+ decision[3] were:

- "More efficient network planning, build and connections – Network companies will have improved clarity on the projects that are 'ready' and 'needed'... This will result in more focused, efficient network planning..."
- "Increased investor confidence for ready and needed projects – Following reform, new entrants will have a clearer signal about what technologies to invest in and where to locate... Existing projects with 'Gate 2' offers will have increased confidence that the required network will be built, due to the more efficient network planning, and their project will be able to connect on time..."

These were intended to be achieved by reducing the connections queue to only the subset of projects which were "ready" and "needed". Those projects would receive Gate 2 Modification Offers and the network would subsequently be designed to accommodate precisely those projects.

NESO introduced a series of "protections" for projects which have, in some instances, led to a greater volume of projects being expected to receive Gate 2 Modification Offers than the target capacity in the CP30 Action Plan. For example, all projects with planning consent[4] at the time of the G2tWQ evidence window in August 2025 (are protected and so will receive Gate 2 Modification Offers, even if the target capacity in the CP30 Action Plan is exceeded.

Planning consents to protect projects sets a relatively low bar. Real-world development considerations like third-party land rights, ground conditions, onerous planning conditions, deliveries of abnormal indivisible loads (for larger projects) etc.' and financing considerations like revenue forecasts, asset availability, extent of TO works, network charges, offtake agreements and lending terms are also relevant to determine whether a project can proceed. "Ready" as defined in Connection Reform terms, is not the same as ready to construct in project development terms.

[2] Please note this section reflects the view of the Proposer and not the Workgroup.
[3] Decision on Connections Reform Package (TM04+)
[4] That were submitted prior to 20 December 2024.

In the case of BESS, protections have led to significant oversubscription[5]. NESO has identified that over 90 gigawatts (GW) of BESS capacity is built or will receive Gate 2 Modification Offers[6] against a 2035 target of 29GW[7].

The oversubscription is likely to increase as further protected projects come forward. Projects which submitted planning prior to 20 December 2024 and which are consented after the closure of the Gate 2 evidence submission window in August 2025 are protected in a future Gated Application Window, which the Proposer estimates (based on analysis of Solar Media's pipeline database as at March 2026) will add a further 12GW of battery storage to the (~90GW) total capacity.

Phase 2 oversubscription for all technologies with a capacity target in the Clean Power 2030 Action Plan is shown in the table below, with the full dataset available in the Connection Reform Annex to the Action Plan.

Technology	Cumulative Target for 2035 (Phase 2, GW)	Built + Phase 1 + Phase 2 (GW)	Oversubscription in Phase 2 (GW)	Oversubscription in Phase 2 (%)
Battery	28,700	88,639	59,939	208.8%
Nuclear	6,000	7,910	1,910	31.8%
Unabated Gas	35,000	43,932	8,932	25.5%
Interconnector	24,000	27,600	3,600	15.0%
Solar	69,400	70,256	856	1.2%
Offshore Wind	89,000	87,692	-1,308	-1.5%
LDES	10,000	9,839	-162	-1.6%
Onshore Wind	37,000	30,188	-6,812	-18.4%
Low Carbon Dispatchable Power	25,000	16,539	-8,461	-33.8%

[5] The application of the OTCF would be based on oversubscription calculated based on **signed** Gate 2 Offers relative to CP30 targets. Most Gate 2 Offers have not yet been issued nor signed, so analysis of oversubscription today is based on Offers NESO expects to issue

[6] Connections Reform Detailed Results Data

[7] Clean Power 2030 Action Plan

Unabated gas is oversubscribed by approximately 25% whilst nuclear is also oversubscribed at 32%. Other technologies are not currently materially oversubscribed but may become so when protections are applied in future Gated Application Windows.

For solar, the Proposer estimates that a further 4GW could be protected in future Gated Application Windows (based on analysis of Solar Media's pipeline database as of March 2026), introducing a small oversubscription. Onshore wind is similar, albeit slightly undersubscribed currently and potentially becoming oversubscribed by 1GW.

For BESS, there are materially more projects receiving Gate 2 Modification Offers than are "needed" (according to the CP30 Action Plan). There are also materially more projects than are likely economic in the market. NESO and TOs are therefore planning the network for more projects than are needed or will be constructed accordingly, undermining the first benefit Ofgem identified above. It also means that, in due course, projects with Gate 2 status do not have increased confidence as intended because they may continue to be stuck behind other projects in the connection queue. Some of the best projects - the ones that are genuinely ready to enter construction - may be stuck behind projects that may not be able to resolve issues and remain financially attractive.

NESO have existing tools which include User Progression Milestones (also known as queue management milestones) and Cancellation Charges (with associated securities), which were introduced by CMP376 and CMP192 respectively, but these are not considered sufficient to reduce the connection queue from the volume of projects which receive Gate 2 Modification Offers down to the volume "needed" in a timely manner. The market will likely deliver that outcome in the long term. For BESS, most market forecasters expect less than 25GW by 2030 based on economic dispatch models; significantly more than that volume will cannibalise revenues and not be economic. Waiting for the market to take its course to reduce from ~90GW to ~25GW risks recreating issues observed in the pre-TMO4+ paradigm. In the medium term, User Progression Milestones (introduced shortly before TMO4+) may have an impact more quickly than pre reform, but in the short term NESO and TOs continue to have no certainty on which projects will connect, and the best projects are held up behind other projects holding connection queue positions and preventing effective delivery. Crucially, this is not only a problem for oversubscribed technologies themselves. As soon as one technology is oversubscribed, the objective of Connections Reform to enable the TOs to have high confidence of which projects will connect and can therefore build out the network to accommodate them fails. The TOs either:

- Assume all projects (including oversubscribed) will connect, with the network designed and built to accommodate them. This results in far more connection bays being planned than are required; or

- Assume attrition, in which case TOs no longer have confidence on which subset of projects from the connection queue of oversubscribed technology will connect, preventing the level of certainty required to build out the network

Either of these options will slow down connections for all projects.

Why change?

It would be harmful to investor confidence for NESO to change protections introduced by CMP434 and CMP435, either retrospectively or for protections which have not yet been realised. Reneging on connection contracts once was harmful enough; doing so twice would be unwise. So, another mechanism is needed to reduce the capacity of oversubscribed technologies down to the level required more quickly than the market alone will deliver.

The primary reasons for this change therefore are two-fold:

There is **insufficient incentive on projects which receive Gate 2 status but which are either not buildable or economically attractive to leave the connection queue**. In fact, the value placed on Gate 2 status incentivises unviable projects to remain in the connection queue for as long as possible, to "buy time" to resolve problems or in the hope of improved project economics.

Many projects have very low Cancellation Charges and securities, particularly in the earlier stages of development. For example, projects which will use a pre-existing substation bay will likely have zero securities prior to Trigger Date (at which point wider securities are applied). Remaining in the connection queue is therefore a free option for projects with the most attractive grid connections. Some of those projects will not be viable but currently face no incentive to leave the connection queue until progression milestones bite and/or securities ramp up closer to connection.

Even projects with complex Attributable Works can have low Cancellation Charges and securities by opting for a fixed security profile that does not exceed £3k/MW until the Trigger Date.

There is no mechanism by which **NESO can select the most economically viable projects from those which are protected**. The connections methodologies treat all projects with planning consent as equally viable. That does not reflect commercial reality – some projects with planning consent will be more economic than others; it is in consumers interest for the most economic to proceed.

The most economic projects may naturally come to the fore over time as less viable projects leave the connection queue, either as securities ramp closer to connection or

User Progression Milestones bite. That is a slow solution, effectively recreating some of the defects seen in the pre-TMO4+ arrangements. During that time, TOs will design networks for a large cohort of projects, whilst only a subset of them will connect.

It is the Proposer's view that a financial mechanism to quickly reduce oversubscription will deliver a better outcome for consumers than the status quo (i.e. the 'baseline' CUSC today).

The Original proposal form can be found in **Annex 01**.

What is the solution?

Proposer's Original solution

The initial solution proposed[8] to introduce a fully securitised OTCF for projects in each technology type[9] where total operational and Gate 2 capacity exceeds long term capacity targets, for the technology, by more than 50% ('oversubscribed'). The fee would act as a project-specific top-up to the existing Cancellation Charge where existing securities fall below a defined floor, initially set at £10k/MW, and would be recalculated in each biannual securities statement. NESO would assess oversubscription by reference to operational projects, projects with Gate 2 Agreements or Offers, and certain anticipated Gate 2 Offers, including both Transmission and distribution-connected and co-located projects. Once triggered, the OTCF would remain in place until project energisation and be reviewed biannually, with the securities floor either maintained, increased, or disapplied depending on how oversubscription changes over time, up to a maximum level of £25k/MW.

The Proposal Form (**Annex 01**) included a worked example and the Proposer's initial view on key design considerations. However, these were superseded by worked examples (**Annex 04**) of a revised solution and consideration of design parameters by the Workgroup.

Proposers Updated Solution

The initial proposal was formally presented to the members of the Workgroup during the first Workgroup meeting on 10 April 2026. Subsequent to comprehensive discussions within the Workgroup, the Proposer undertook a thorough review and refinement of their Original solution, resulting in the updated version outlined below across nine key parameters:

Parameter 1 – Activation and deactivation thresholds

Ahead of each bi-annual securities statement, NESO will compare the total (MW) capacity of each technology with the prevailing long-term (MW) capacity target (for that technology) at the time to calculate a percentage oversubscription. The total (MW) capacity would be based on the sum of: (i) operational assets, (ii) signed Gate 2 Connection Agreements for Transmission connected projects, (iii) signed Gate 2

[8] As set out in the proposal form, see Annex 1.

[9] The types of technology referred to in this proposal are as set out in the UK Government's (DESNZ) Clean Power 2030 Action Plan: connections reform annex (updated April 2025) and include, for example, batteries, solar, onshore wind, offshore wind, nuclear, interconnectors, unabated gas etc.

Connection Offers for distribution connected projects and (iv) the (MW) volume of projects which applied for a Gate 2 Offer in a recent Gated Application Window that NESO has confirmed will receive a Gate 2 Offer but have not yet received that Offer or it is not yet due for signature.

The OTCF will be activated for a given technology if oversubscription exceeds 50%, i.e. the total (MW) capacity exceeds the target multiplied by 1.5. This is intended to avoid an over-correction whereby the OTCF drives an oversubscription to an undersubscription. This threshold also means that the Proposer expects the OTCF will only apply to BESS in the short and medium term.

Once activated, the OTCF for that technology would remain active until, ahead of a future biannual securities statement, oversubscription (for that technology) falls below 25%, i.e. the total (MW) capacity is less than the target multiplied by 1.25. This introduces a deadband, intended to avoid introducing a situation where the OTCF switches on and off repeatedly in quick succession driven by minor changes in the total (MW) capacity and/or the target (MW) capacity.

Note that both the total (MW) capacity and target (MW) capacity could change over time – the total capacity through additions and attrition in the Gate 2 connection queue, and the target capacity through, for example, implementation of the Strategic Spatial Energy Plan (SSEP).

The above is as presented in the proposal form, save that the evaluation of the total (MW) capacity in respect of Gate 2 Modification Offers arising from the G2tWQ process is now based on signed offers only, not those which have been issued (by NESO) but not yet signed. For future Gated Application Windows, the capacity will include Gate 2 Offers not yet signed and projects which apply for and receive Gate 2 status but have not yet received a Gate 2 Offer.

In addition, the Proposer has decided to introduce a minimum (MW) capacity target 'deadband' for each technology below which the OTCF would not be applied, which is set at 5GW. This is intended as a safeguard to avoid the OTCF being unintentionally applied to a nascent, rapidly growing technology with a small (<5GW) target.

In summary, the OTCF would be:

- Activated at 50% oversubscription, provided the target capacity exceeds 5GW
- Deactivated at 25% oversubscription

The activation process is detailed in full in the legal text, including the requirement for NESO to publish "OTCF Determinations" to inform the market of the position at each stage. The timetable ahead of each securities period starting in April and October being

as follows (note this includes NESO and Ofgem discretion on certain decision points, see parameter 9 for details):

Activity	Date (October securities)	Date (April securities)	Duration
NESO publishes oversubscription by technology	8 May	8 November	-
NESO deliberation on whether to apply the OTCF if threshold met	8-22 May	8-22 November	Ten Business Days
NESO recommendation to Ofgem	22 May	22 November	-
Ofgem deliberation	22 May – 22 June	22 November – 22 December	One month
Ofgem decision deadline*	23 June	23 December	-
NESO implementation into MM statements	23 June – 15 July	23 December – 15 January	Three weeks
Securities statements deadline	15 July	15 January	-
OTCF takes effect (if activated)	1 October	1 April	-

*If Ofgem do not make a decision by this deadline NESO can continue with their recommendation.

Parameter 2 – National or regional application

For some technologies, the CP30 Action Plan includes both national and regional (MW) targets. The Proposer considered whether the oversubscription should be calculated on a national or regional basis, and concluded that national is appropriate because:

- Protections for projects with planning consent (with application submitted prior to 20 December 2024) apply even if the project exceeds national targets, regardless of regional targets
- Regional targets and project pipelines are relatively small – as low as 100MW for BESS in some regions. Hence there is potential for significant instability in zonal oversubscription, with a small number of projects driving movements between significant oversubscription and undersubscription. This would risk a volatile OTCF which would be unhelpful

This is as presented in the proposal form (**Annex 01**). The CP30 target and capacity with Gate 2 status by zone and phase is included in **Annex 14**.

Parameter 3 – Timing of application to projects

The OTCF applies to all projects of the relevant (oversubscribed) technology with a Gate 2 Agreement up until those projects' energisation. For projects receiving Gate 2 Modification Offers in the ongoing (CMP435) G2tWQ process, the timing of the OTCF application will depend on activation timing (see implementation approach), assumed to be October 2027 for the examples below:

- For (CMP435) G2tWQ Gate 2 Modification Offers – the OTCF would apply from activation likely in October 2027, a minimum of five months after the last G2tWQ Gate 2 Modification Offer falls due for signature based on the current timeline[10] from NESO which sees the last Gate 2 Modification Offers issued:
    - to Transmission connected projects in January 2027, due for signature in April 2027
    - to distribution connected projects in March 2027, also due for signature in April 2027
- For Gate 2 Offers from the first (CMP434) Gated Application Window, assumed to take place in Q3 2026 – the OTCF would apply from activation, likely in October 2027

[10] Connections Reform Timeline as of 4th June 2026

- For subsequent (CMP434) Gate 2 Offers thereafter, the OTCF would apply from acceptance of those offers at the prevailing OTCF rate

The OTCF will apply up to project energisation.

This is as presented in the Original proposal, albeit with later activation (see implementation approach).

Parameter 4 – Application Method

The level of the OTCF will be calculated on a project-specific basis and will fluctuate over time in each biannual Cancellation Charge statement. It will be set at a level which ensures that the total Cancellation Charge and total Cancellation Charge Secured Amount to be placed for each project of the relevant (oversubscribed) technology type is not less than a defined OTCF floor. For projects with cancellation charges and securities already exceeding the floor, the OTCF will not apply. For those with cancellation charges or securities below the floor, the OTCF will act as a "top-up" to both the cancellation charge and securities, calculated to set the total cancellation charge and total security required respectively to be equal to the floor.

This has been updated from the position presented in the proposal form (**Annex 01**) which was based on an identical "adder" to both cancellation charges and securities. The update means that, if the cancellation charge is above the floor but securities are not, securities will increase (up to the floor) but the cancellation charge will not change. The Original proposal would have seen both cancellation charge and security increase by the same amount.

Parameter 5 - Level of the securities floor

On initial activation, the securities floor will be set at £3k/MW.

Once activated, the OTCF (and associated securities floor) will be re-evaluated ahead of each bi-annual securities statement. NESO will evaluate the proportional change in oversubscription since the previous securities statement:

- If the sum of operational and Gate 2 (MW) capacity falls below an oversubscription of 25%, the OTCF will be disapplied for that technology (as per parameter 1)
- If the oversubscription has reduced by more than 25% since the previous securities statement, the securities floor will not change
- If the oversubscription has reduced by less than 25% since the previous securities statement, or if the oversubscription has increased, the securities floor will

increase, initially from £3k/MW to £5k/MW and thereafter in £5k/MW increments up to a maximum level of £25k/MW

The Original proposal form started from £10k/MW. The Proposer has decided to introduce two additional lower increments at £3k/MW and £5k/MW following feedback from the Workgroup on the levels proposed.

Parameter 6 - Application to co-located projects

The OTCF will apply to all projects which include the oversubscribed technology, including those which co-locate the oversubscribed technology with another technology which is not oversubscribed, unless:

- The oversubscribed technology is due to connect after the other technology;
- The addition of the oversubscribed technology has no associated increase in Transmission Entry Capacity (TEC); and
- The addition of the oversubscribed technology has minimal network impact, identified by the total sum of additional Attributable Works and connection costs being less than £250K

This exemption for some co-located projects and further detail on application to co-located projects with multiple OTCFs is an addition to the solution presented in the proposal form following Workgroup feedback.

For co-located projects which do not qualify for this exemption and which are not staged (i.e. both technologies connect at the same time), the OTCF will apply to the lower of:

- Installed (MW) capacity of the oversubscribed technology; or
- The total project TEC

This ensures that the project is not disproportionately exposed to the OTCF if the oversubscribed technology makes up a small proportion of TEC, nor if the installed (MW) capacity of the oversubscribed technology exceeds TEC.

In an unlikely future scenario in which the OTCF is applicable to multiple technologies and a co-located project could be exposed to multiple OTCFs at different £/MW levels, only the higher £/MW OTCF level will apply. For example, if the OTCF securities floor were £5k/MW for BESS and £3k/MW for Solar, only the BESS OTCF level would apply (to both the BESS and solar (MW) capacities). If the £/MW level of the OTCF, for multiple technologies is the same, the OTCF would apply to the lower of the sum (MW) of installed capacities for (oversubscribed) technologies for which the OTCF is active and TEC. The Proposer reiterates their expectation is that the OTCF will only apply to BESS in the medium term.

Notes on staged projects:

Alongside co-located proejcts, the OTCF may apply to projects with a single technology (e.g. BESS) which connect in stages and to projects with multiple technologies which connect in stages. In general, the principle is that the OTCF applies to capacity which has not yet reached the point at which the OTCF falls away (i.e. energisation of that stage).

For staged projects of a single technology, the second phase would always have an associated increment of TEC, so the OTCF applies to the incremental TEC of the overall project which has not yet energised. For example, a project with 100MW TEC in 2030 and a further 100MW TEC in 2033 would face an OTCF in respect of 200MW from activation until 2030, and then in respect of the remaining 100MW from energisation of stage 1 in 2030 until energisation of stage 2 in 2033.

For staged projects with several technologies, the second phase may or may not have an associated increase in TEC. For example, a Developer could choose to co-locate a 100MW BESS with a 100MW solar with a fully shared grid connection (TEC) of 100MW. So for staged projects with several technologies, the OTCF applies to the lower of the installed capacity of the oversubscribed technology which not yet energised, and the project TEC. This ensures that the project faces an OTCF proportional to the capacity of the oversubcribed technology it is seeking to connect, without disproportionately facing an OTCF if it chooses to oversize that technology beyond TEC.

Detail on the treatment of co-located and staged projects has been added since the Original proposal.

Parameter 7 – Interaction with the Project Commitment Fee (PCF)

CMP448 introduced a PCF. The OTCF will apply in addition to the existing PCF, with the securities floor calculated based on baseline securities including the PCF, i.e.:

> Cancellation Charge = MAX (Attributable Works Cancellation Charge + Wider Cancellation Charge + PCF, OTCF Floor)
>
> Cancellation Charge Secured Amount = MAX (KC% * (Attributable Works Cancellation Charge + Wider Works Cancellation Charge) + PCF, OTCF Floor)

The PCF and OTCF are very unlikely to ever apply to the same project. The PCF, if triggered in the future, will apply to projects prior to submitting planning and is not applicable post submitting a planning application. Oversubscription is driven by protections, typically requiring planning consent. Projects to which the OTCF will apply will likely already have planning consent, so effectively be exempt from the PCF.

This is as presented in the proposal form with additional clarity added on the interaction of the PCF with a securities floor.

Parameter 8 – Treatment of OTCF collections

If a Cancellation Charge including an OTCF is levied (i.e. a project exits the connection queue), the associated OTCF that was paid by that project would be returned to end consumers through Transmission Network Use of System (TNUoS). This is aligned with the approach taken to the PCF.

The OTCF would only be treated (by NESO) as revenue if a Cancellation Charge is paid. This is in line with other securities which are not treated as revenue by NESO when placed.

On termination, the project pays its Cancellation Charge (including OTCF) to NESO. The difference between the Cancellation Charge and amount distributed to the TOs would be passed through to end consumers via TNUoS. It was agreed that the approach adopted for the PCF (as set out on page 52 and 53 of the CMP448 Final Modification Report) would be followed for the OTCF. All else being equal, a project with an OTCF liability cancelling will result in a small (£) reduction in the TNUoS Demand residual.

This parameter was not covered in the Original proposal form and has been added following Workgroup discussion.

Parameter 9 – Option for NESO to apply the OTCF or not (with Ofgem overrule)

The mechanism by which the PCF comes into force is:

- NESO analyses whether the "trigger metric" on connection queue health has been met
- If the trigger metric is met:
    - NESO has the option to introduce the PCF, will make a decision either way, and inform Ofgem
    - Ofgem can overturn NESO's decision either way

The Proposer has decided to include a similar mechanism within the CMP470 solution, allowing for NESO discretion (and Ofgem oversight). This would only be applicable where:

- The oversubscription threshold for the OTCF is met for a given technology and the OTCF has not yet been activated for that technology; or
- The OTCF is active for a given technology and oversubscription has not fallen by more than 25% since the previous securities statement, so the OTCF should increase.

NESO (and Ofgem) will **not** have discretion to:

- Activate the OTCF for a given technology if the oversubscription threshold is not met; or
- Increase the OTCF for a given technology if oversubscription has fallen by more than 25% since the previous securities statement; or
- Not deactivate the OTCF for a given technology if the deactivation threshold is met; or
- Deactive that OTCF for a given technology if the deactivation threshold is not met.

In short – NESO (and Ofgem) will have discretion not to take any action which applies or increases the OTCF but have no discretion on actions to increase the OTCF where thresholds are not met and have no discretion on deactivation of the OTCF.

This is intended as a safeguard for an unforeseen future circumstance in which oversubscription arises for a given technology and the OTCF is not deemed an appropriate measure.

This parameter was not covered in the Original proposal form and has been added following Workgroup discussion.

In Workgroup 12, the Authority Representative noted the intent to not include discretion to deactivate the OTCF for a given technology if the deactivation threshold is not met was not aligned with the legal text drafting at that time (since updated) which allowed the Authority to do this without involvement from NESO. Whilst Workgroup members recognised the intent to provide a safeguard against unintended future consequences, a few Workgroup members emphasised that the current design already includes sufficient "one-way" discretion (e.g. not activating or not increasing the OTCF where appropriate), and that introducing further flexibility to disapply the mechanism outside defined thresholds could create uncertainty and undermine investor confidence. Several Workgroup members expressed a preference for maintaining clarity and predictability in the framework, noting that any future need to suspend or amend the OTCF could be addressed through established code modification processes, which allow for stakeholder consultation and robust governance. On balance, the discussion indicated a preference not to extend discretionary powers beyond the existing parameters. The Workgroup discussed the possibility of an alternative with Ofgem discretion to deactivate that OTCF at any time included. Ultimately, no Workgroup member wished to propose such an alternative, so it was not progressed.

Implementation and activation approach

If approved, CMP470 would be implemented into the CUSC 10 Business Days after an Ofgem decision, but with definitions in the legal text governing conditions which must be met prior to the actual practical activation of the OTCF (which would occur sometime after the date of implementation), into the CUSC.

Following Workgroup discussion and the Workgroup Consultation, the Proposer now recommends the practical activation (of CMP470) from the first biannual securities statement after both:

- The final Gate 2 Modification Offers from the (CMP435) G2tWQ application window have either been signed or the acceptance period has ended; and
- All the first (CMP434) Gated Window Applications have been assigned a Gate 1 status (as requested to be a Gate 1) or assigned a Gate 2 status following the outcome of strategic alignment checks and queue formation, as notified by NESO.

The Proposer had initially suggested activation in the January 2027 securities statements. The Workgroup discussed how that would operate in practice, and noted that it would require NESO to make an assumption on the proportion of Gate 2 Modification Offers which it had issued but which were not yet due for signature would be signed. NESO would likely assume all signed, which may overstate oversubscription and so lead to the OTCF being implemented innappropriately. Waiting for the final position after both (CMP435) G2tWQ and the first (CMP434) Gated Application Window will mean that the vast majority of BESS Gate 2 Agreements will have been signed or offers lapsed (with the exception of a small volume of Clause 3a projects which have not yet reached consent by the first (CMP434) Gated Application Window) so the activation threshold for the OTCF would be based on a largely complete and accurate dataset.

However, that would introduce a significant dependency on the timing of the first (CMP434) Gated Application Window and the speed with which NESO is able to produce Gate 2 Offers after the closure of that window. The Proposer considers that waiting for all Gate 2 Offers from that first Gated Application Window to fall due for signature could introduce an open-ended delay, so instead the Original solution depends only on projects which apply for Gate 2 Offers being assigned Gate 2 status or rejected after that first Gated Application Window, not for Gate 2 Offers to have been issued and be signed or lapsed.

The Proposer agreed with the Workgroup that it would be inappropriate to assume all (CMP435) Gate 2 offers will go on to be signed, but considers that is more appropriate to make that assumption regarding future (CMP434) Gated Application Windows. This is because:

- It is likely that a meaningful proportion of Gate 2 Modification Offers from G2tWQ will not be accepted
    - Anecdotal evidence suggests that there are parties wanting to cancel their project's Gate 2 Modification Offer
    - There has been a long period since projects applied in the (CMP435) G2tWQ application window so projects may have evolved and no longer wish to proceed
    - Projects applied (into that window) with significant uncertainty on when their connection date would be. Some may decide that later connection dates make projects unattractive so decide not to sign their Gate 2 Modification Offers
    - Updated securities profiles (with or without the OTCF) may prevent some customers from signing Gate 2 Modification Offers
    - Anecdotally, some customers have received connection Gate 2 Modification Offers with significantly inflated connection costs
- But those concerns are less applicable to the first (CMP434) Gated Application Window because projects applying into that Window will likely have more certainty. In particular:
    - The TEC register will likely have been updated[11] before they apply so they will be able to better predict the connection date they will be offered
    - There will be a shorter period between application and offer (~6 months[12], not ~18 months for receiving their offers)

In summary, the Proposer considers it likely that parties who do not intend to sign an offer from the first (CMP434) Gated Application Window would simply not apply. This approach may mean oversubscription is slightly overstated for the first potential activation in mid-2027. The mechanics of the increments in the Original solution mean the likely impact of this will be to reduce the chance of an increment from £3k/MW to £5k/MW six months after activation:

- If anything, oversubscription will be slightly overstated when activated, on the assumption that all first (CMP434) Gated Application Window offers will be signed - in reality some may not…
- …so those which do not sign would increase the percentage reduction in oversubscription between activation and the first potential increment, reducing the likelihood of an increase (in the OTCF).

[11] With the details of all those projects that signed their Gate 2 Modification Offers (from the CMP435 G2tWQ application window).
[12] For the (CMP434) Gated Application Window.

The final Transmission Gate 2 Modification Offers from the (CMP435) G2tWQ application window are expected to be issued in January 2027, and the final distribution Gate 2 Modification Offers in March 2027[13], both of which will fall due for signature in April 2027. The first (CMP434) Gated Application Window is expected to take place in Q3 or Q4 2026. The Proposer notes that with a three month consideration period, then (for those applications) NESO would have undertaken readiness and strategic alignement checks by the end of Q1 2027, at which point Gate 2 status will be confirmed (or refused) for projects seeking Gate 2 status in that window

If these timelines are adhered to, activation of CMP470 would be in the July 2027 securities statement ahead of securities to be placed in September 2027 for the October 2027 to March 2028 securities period. Activation (of CMP470) means that this is the first time NESO will assess oversubscription – if the thresholds for the application of the OTCF are not met, no OTCF will apply to any technology.

The Proposer is now requesting an Ofgem decision (for CMP470) by mid-August 2026. This is because the first Gate 2, Phase 1 Modification Offers were issued between 27 May and 3 June (according to the Electricity Network Association (ENA) connections dashboard[14]) which will fall due for signature on in late August and early September. Whether or not an OTCF may be applied (i.e. whether or not CMP470 is approved) should factor into project decision making when signing a Gate 2 Modification Offer, hence a decision is requested from Ofgem (on CMP470) before those offers fall due for signature.

The Workgroup noted that Gate 2 Modification Offers for protected projects with pre-connections reform connection dates in 2026 and 2027 have already received Gate 2 Modification Offers and so will have already signed Gate 2 Agreements ahead of an August[15] decision on CMP470. According to the ENA dashboard, as at 3 June, 716 such Gate 2 Modification Offers had been issued and 240 accepted (across all technologies). However the Proposer noted that CMP470 is likely to be less material to those parties' decision making because:

- While many have been delayed beyond 2027, these are projects relatively close to connection. Some will have connected ahead of the first possible activation of the OTCF in October 2027 and many will be very close to energisation so would only face an OTCF for a short period; and

[13] Connections Reform Timeline
[14] ENA Connections Data
[15] Which is what the Proposer was seeking and, for the purposes of the Workgroup deliberations, was what the Workgroup was (prior to meeting 15) assuming will be when a decision is forthcoming.

- They are already relatively close to connection, so likely to already have significant securities. So at the initial levels of the OTCF (which is all they are likely to face as they will energise ahead of the OTCF having had time to ramp significantly) the additional securities required from the OTCF will likely be small (or perhaps zero)

Note that at Workgroup 15, the Authority representative outlined the possibility that the Authority understand why the Proposer is requesting for a decision by mid-August but keeping in mind that this being a transformative change requires due consideration before decision is made, the Authority might provide a minded-to position alongside an interim impact assessment, as soon as possible, before making the final decision.

Solution summary

Parameter	Summary
1 – Activation and deactivation thresholds	• Activated at 50% oversubscription and national capacity target >5GW • Deactivated at 25% oversubscription
2 – National or regional application	National
3 – Timing of application to projects	Start: • For G2tWQ and first Gated Application Window offers - from implementation • For new Gate 2 Offers thereafter, from acceptance of offer End: project energisation.
4 – Application Method	Floor to Cancellation Charges and securities on all projects in an oversubscribed technology
5 - Level of the securities floor	£3k/MW initially, increasing if oversubscription falls by less than 25%, to £5k/MW and then in £5k/MW increments up to a maximum level of £25k/MW
6 - Application to co-located projects	Applies to projects which include the oversubscribed technology based on the lower of TEC and installed capacity of the oversubscribed technology except where • The oversubscribed technology is due to connect after the other technology; and • The addition of the oversubscribed technology has no associated increase in TEC; and • The addition of the oversubscribed technology has the total sum of Attributable Works and connection costs <£250K
7 – Interaction with the PCF	Applies on top of PCF but as floor to total Cancellation Charges and securities (including PCF), so if securities with PCF are already above floor, OTCF has no impact
8 – Treatment of OTCF where the customer does not energise	Returned to end consumers via TNUoS
9 – Option for NESO to apply the OTCF or not	Yes, but limited to discretion to **not activate** when the activation threshold is met and to **not increase** when the threshold to increase is met, with Ofgem option to overrule

Implementation approach	Implemented 10 Business Days after Ofgem decision, with activationin the first biannual securities statement after both: • All offers from the (CMP435) G2tWQ application window have either been signed or lapsed; and • All first (CMP434) Gated Window Applications have been assigned a Gate 1 status (as requested to be a Gate 1) or assigned a Gate 2 status following the outcome of strategic alignment checks and queue formation, as notified by NESO

Worked examples can be found in **Annex 04**, illustrating:

- How the OTCF and securities floor may change over time under illustrative scenarios for the change in BESS oversubscription;
- The OTCF and securities floor applied to an illustrative project using an illustrative profile for the securities floor; and
- The worst-case application of the OTCF under both the Original solution and proposed alternatives (discussed further below).

What is the impact of this change?

This change will directly impact Developers of projects who have already or who go on to enter a Gate 2 Agreement and involve a technology type which is oversubscribed by 50% relative to the 2035 (MW) capacity target in the CP30 Action Plan. It would expose those Developers to higher Cancellation Charges and securities.

In the medium-term, the Proposer considers that it will positively impact all Developers and TOs, by removing a proportion of projects of any oversubscribed technologies from the connection queue and thus reducing the oversubscription. In turn, this will enable TOs to move faster and with greater certainty on network design and buildout, increasing the rate of progress on connections for all technologies.

Workgroup considerations

The Workgroup convened four times prior to this Workgroup Consultation and met a further eleven times after that consultation prior to the submission of this Workgroup Report 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

The Workgroup discussed the principles underpinning CMP470 alongside detailed considerations of solution design.

Principles of CMP470 Discussion

The Workgroup discussed:

- The battery oversupply situation;
- The challenge of oversubscription;
- Nuances of project viability;
- Absence of indexation;
- Defining the relevant target capacity;
- Will the market resolve the issue itself in time for the CP30 Action Plan;
- Other options under consideration beyond the scope of CMP470; and
- Implications of DESNZ and Ofgem Open Letter issued shortly before the Workgroup consultation.

The battery oversupply situation

As reported in the NESO's Connections Reform, detailed Results Data publication in January 2026[16], there is a significant (MW) oversupply of batteries with Gate 2 status compared with the (MW) capacities set out in the UK Government's CP30 Action Plan[17]. This oversupply is at both a zonal (across all zones) and GB level by 2035 because those batteries met one or more of the protection clauses in the Connections Methodologies[18]. The data shows the total (MW) capacity by zone (**Annex 14**), which is built, Phase 1 (2026-2030 connections) and Phase 2 (2031-2035 connections), the permitted (MW) capacity in CP30, and the oversubscription. The zones are as defined in the CP30 Action Plan. Note that an error was identified in the equivalent table presented in the Workgroup consultation (shown as v1 in **Annex 14**) which has been corrected in v2 in **Annex 14** and the difference shown on the "delta" worksheet. This related to the capacity targets for two pairs of distribution zones being switched.

[16] Connection Reform Detailed Results Data
[17] Clean Power 2030 Action Plan
[18] Connections Reform design documents and methodologies | National Energy System Operator

According to NESO, at a GB level, 83.2 GW of batteries have received Gate 2 status. Adding operational battery capacity at the close of the G2tWQ evidence submission window brings the total (MW) capacity of batteries either built, operational or with Gate 2 status to 90.6 GW. This is more than three times the capacity of 24–29 GW by 2035 set out in the UK Government's CP30 Action Plan.

Connections Methodologies (which sit outside of the CUSC governance) set out that further batteries can meet the Gate 2 criteria under future Gated Application Windows (CMP434), provided they meet the protection criteria. Given the significant oversupply of batteries compared with the GB permitted (MW) capacity, it is likely that only batteries that are 'ready' and that meet protection clauses 2b or 3a[19] would meet the Gate 2 criteria in the next (CMP434) application window. Based on the outcomes of the G2tWQ process and the number of projects and (MW) capacity of batteries that received a Gate 1 Offer but had submitted planning consent, NESO estimate[20] that a further potential ~20.9 GW of batteries could meet protection clauses 2b or 3a in the next (CMP434) application window. If this were to occur, it would lead to an overall capacity (built and with Gate 2 status) of ~111.5 GW (90.6GW batteries either built, operational or with Gate 2 status plus a further potential of ~20.9 GW, making a total of ~111.5GW) of batteries – assuming no attrition in Gate 2 batteries beforehand – which would be more than four times the (MW) capacity by 2035 set out in the UK Government's CP30 Action Plan.

The challenge of oversubscription

According to NESO in its Connections Reform Connections Methodologies Annual Consultation[21]:

"There are clear downsides to battery oversupply:

- cost to consumers – because network companies could design and build a network to accommodate battery connections that are not ultimately needed.
- delays to connection dates (for batteries and non-batteries) – because of reduced network delivery capacity and the need to design an efficient network across the full portfolio of customers (batteries require access to network infrastructure, for example substation bays or Grid Supply Points (GSPs), that

[19] Further information on these 2b and 3a protection clauses can be found in the Connections Methodologies
[20] In the recent NESO Connections Reform Connection Methodologies consultation (link in the footnote below) at paragraph 4.10.
[21] Connections Reform

could otherwise be allocated to other technologies more closely aligned with the UK Government's CP30 Action Plan)."

During the initial Workgroup meeting, the Proposer outlined their concerns that oversubscription affecting a particular technology[22] can diminish the advantages offered by Connection Reform for other technologies (that are not oversubscribed). The Proposer explained how NESO currently lacks a mechanism to reduce the project connection queue from those receiving Gate 2 status to the (MW) capacity number stated in the CP30 Action Plan, relying instead on long-term market attrition similar to the pre-TMO4+ approach. This lack of certainty means NESO and TOs do not know which projects will connect, leading to viable projects being delayed by less feasible projects. It was noted by TOs that in this situation TOs must design the network for all oversubscribed projects.

Where not all of those projects will go on to connect (due to market saturation and project delivery issues), that could result in inefficient network designs and cause delays to the connection date of other projects that are behind the oversubscribed projects. The Ofgem representative, without any bias towards CMP470, stated that it will be important to ensure that non-viable projects leave the connection queue before the network companies have committed significant capital expenditure, both for their connection and for any wider network reinforcement, and in good time to allow their (MW) capacity to be reallocated at the next connections application window.

Some Workgroup members asked whether TOs are genuinely designing for the full 90 GW capacity of BESS projects, and a Workgroup member clarified that, following implementation of Connections Reform, TOs are bound to do so by their licence conditions. Users who sign Gate 2 agreements will currently secure TO spend which includes the development and design of the new infrastructure and therefore if a project is terminated, the consumer should not be out of pocket.

A Workgroup member inquired whether the issue of oversubscription impacts large Demand projects. The Proposer clarified that delays and uncertainties affect all technologies seeking to connect, not just battery storage as legitimate projects are often slowed down by less viable ones already in the connection queue.

Workgroup members raised questions about Ofgem's stance and the potential for future updates to the (MW) capacity technology targets set out in the CP30 Action Plan,

[22] This primarily refers to (i) the electricity generation technology (or technologies) that the particular project has stated, in its application to NESO, will be connected at that location and includes, for example, solar, unabated gas, onshore wind, offshore wind, hydro, LDES and batteries or (ii) Demand.

with the Proposer noting that any future strategic energy plan (such as the SSEP expected to be published in Autumn 2027) may increase technology (MW) targets but in their view any increase is unlikely to be up to the current connection queue (MW) capacity size.

The Workgroup debated the fundamental problems of oversubscription. During the discussion, a Workgroup member raised the question of whether oversubscription is truly problematic, suggesting that some degree of oversubscription might be manageable and noting that 2035 is not a definitive deadline, i.e. new projects are likely to be needed post 2035. In response, the Proposer and several Workgroup members explained that oversubscription results in extended connection lead times, creates uncertainty for TOs, and leads to inefficient investment in the network.

A Workgroup member noted that the current User Commitment Methodology requires each project to cover current TO expenditures plus the next 6 months forecast spend as a minimum (directly associated with that project's connection to their network), which ensures TOs are protected from financial losses if a project is terminated (see existing securities guidance published by NESO[23]). Connection Offers include a forecast of securities out to the connection date, which provides a signal to Developers. The Workgroup then examined whether this existing approach effectively manages the primary risks associated with oversubscription.

Some Workgroup members argued that only those projects directly responsible for incurring additional network costs should be required to pay these charges. However, others pointed out the complexities involved with strategic wider network investments, which may be undertaken based on an inflated connection queue and are not always fully secured by the project securities in place.

Nuances of project viability

The Proposer engaged the Workgroup in a discussion regarding project viability and the assessment of both viable and non-viable project volumes. The Proposer explained that project viability is rarely a straightforward, binary assessment. While some projects may be unequivocally unfeasible, such as those with irresolvable site access issues, most require a more nuanced evaluation. Factors influencing project viability include practical considerations like ground conditions and cable routes, as well as economic aspects linked to those practicalities and prevailing market conditions, especially revenue projections when making Final Investment Decisions (FIDs) for the project. Despite this

[23] NGESO Customer Security Guidance

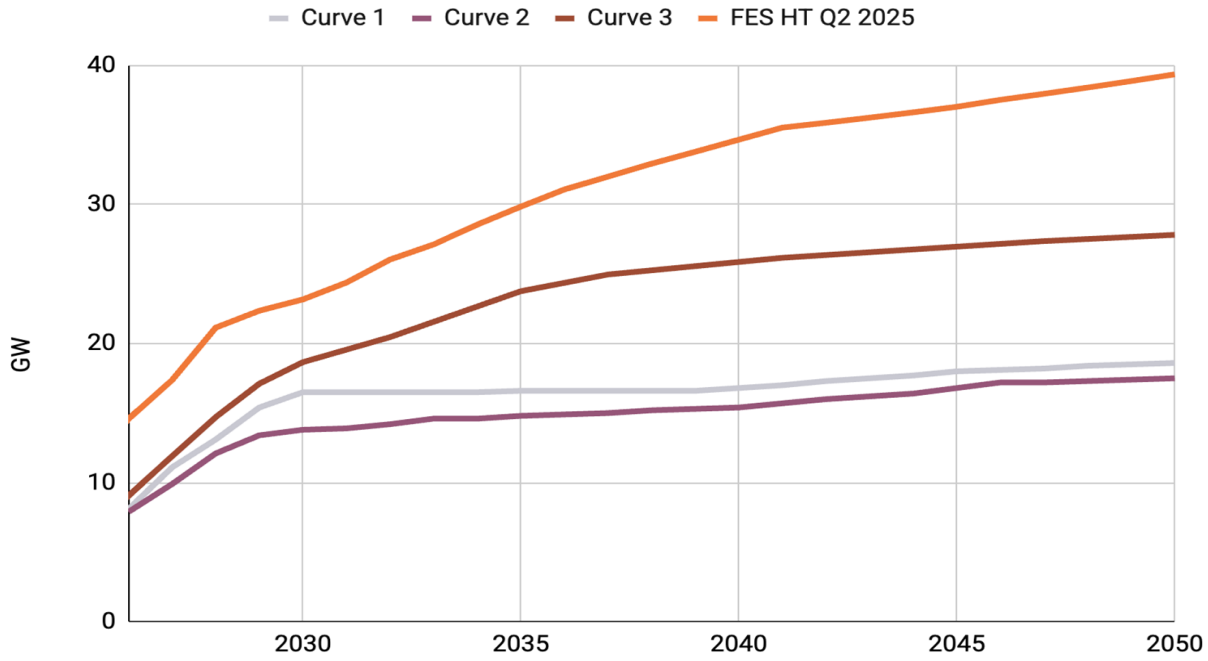
complexity, projects that are not practically viable sometimes still reach the market labelled as *ready to build*. Identifying the (MW) volume of such projects in the Gate 2 Queue is challenging as Developers are unlikely to admit that their projects are unviable.

Some Workgroup members supported this view, highlighting that viability is influenced by various practical and economic factors. Developers are unlikely to self-identify unviable projects, and one Workgroup member expressed that their experience revealed that many projects marketed as 'ready to build' were actually not viable.

Some Workgroup members believed that unviable is an inappropriate and confusing term. A more appropriate term is that projects are uninvestable, i.e. the required money to resolve risks, or freeze risks is not worth the potential return to an investor and the risks are too great. Some risks can be discreet that require money to be invested into the project before it is clear a project is deliverable, e.g. submitting a planning application, or completing a topographical survey. Some risks are non-discreet and can change over time; e.g. energy prices or capital costs. Typically, the majority of the capital invested in a project is committed at the FID and it is at this point most of the discreet risks have been mitigated and most of the non-discreet risks are frozen, e.g. sign a fixed price contract with a construction company or a 10-year tolling agreement with an optimiser. Therefore, those Workgroup members felt the definition , provided by the Proposer was not appropriate because a project could only truly be considered viable when a FID is taken on the project. A project may choose to risk investing less significant sums of money into the project before FID because of the higher return they may get, even though they are unsure if the project is deliverable, because they are willing to invest money, therefore the project can still be considered investable.

One member argued that whilst there may be some unviable projects towards the front of the connection queue, it is likely that most project owners believe their projects to be viable. This is likely due to Developers using a forecaster's reference-case revenue forecasts in their project's valuations when these forecasts will be assuming a BESS build-out in line with CP30, despite their projects being towards the back of the connection queue. A project revenue forecast based on a 30GW build-out is not valid for a project that is 60GW down the (~90GW in total) connection queue. It was suggested therefore that the majority of unviable projects are those beyond 30GW in the queue, where revenues in reality would be materially below those used to value these projects. And as such it was argued that the connection queue should be left to resolve the oversubscription naturally, rather than force viable projects near the front of the connection queue out by financial means (i.e. the OTCF proposed to be introduced by CMP470). Once 30GW of BESS is built out, the forecast revenues will have fallen to a level where further BESS build out becomes unviable.

According to the Proposer, even if circa 83GW of BESS have received protected status from NESO, and they are all technically feasible, it is only 15-30GW by 2035 of these projects that are likely to be economically viable according to market models[24] focused on long-term optimisation. The chart below shows projections of BESS (MW) capacity from three reputable market modellers (Afry, Aurora and Baringa) whose forecasts have been used to support project financing decisions. BESS (MW) capacity from NESO's Future Energy[25] Scenarios Holistic Transition pathway is also shown for reference. The curves 1 to 3 represent the projection of economically viable BESS capacity from each of the three different market models.



This means, according to the Proposer, that 55-70GW of these BESS projects, despite being practically possible, are unlikely to be financially sustainable. Additionally, some projects that initially appear attractive may ultimately prove unviable due to market oversubscription.

One member discussed how the CMP470 proposal may push out viable projects now that could resolve things like access / cable route (dependent on third parties and other Developers) but can't afford the OTCF security before such matters are resolved. This is

[24] Which the Proposer has seen / commissioned. It was noted that there are a number of commercial providers of such models (the composition of which are generally proprietary and thus cannot be widely shared).

[25] Future Energy Scenarios (FES)

then replaced over time with Gate 1 projects, that get a Gate 2 Offer in future windows, but still face the same issues. However, the future Gate 2 projects may not be required to place an OTCF security as the technology is no longer oversubscribed, as protections have driven oversubscription and these won't be applied in future. The Workgroup discussed that this would only arise if the proposal leads to an overcorrection. The Proposer noted that the solution should be carefully designed to reduce risk of moving from over to undersubscription.

Several members highlighted the importance of proportionality in the solution, suggesting that only projects which directly create additional costs, such as those requiring network redesign, should be responsible for those expenses, similar to the existing User Commitments Methodology, rather than applying these costs to all projects in the connection queue. The Workgroup also debated whether the OTCF should serve as a minimum threshold or an upper limit, and discussed ways to ensure that projects already facing substantial expenses to remain viable are not unfairly penalised.

Absence of indexation

Workgroup members discussed the lack of indexation of the £/MW levels (for the proposed OTCF) on several occasions. Several members noted that the existing fixed securities pre-trigger has not been indexed since March 2012, with one Workgroup member estimating it should now be around 70% higher (if it had been subject to indexation). It was also noted that the PCF does not have indexation. A Workgroup member observed that the Original proposal is not indexed, which would reduce its effectiveness over time, and stressed the importance of understanding this risk of degrading efficacy over time. However, the Proposer chose to retain non-indexed parameters in line with other similar parameters (such as fixed securities pre-trigger and the PCF.

Defining the relevant reference target capacity[26]

In Workgroup 9 there was discussion regarding the complexity of defining the proposed term "OTCF Technology Permitted Capacity". It was made clear by several Workgroup members that this (MW) capacity should not be "determined" by NESO, as in the initial draft legal text proposed definition (since updated), but that NESO may have a role in promoting or making visible the relevant (MW) capacity. The relevant maximum or target technology specific (MW) capacities for assessing oversubscription (of a

[26] Clean Power 2030 Action Plan

particular technology) would be derived from the relevant national strategic plan in force at the given time. At the present time, that being the CP30 Action Plan, and in particular, the Connection Reform Annex[27] to the Action Plan. There was also discussion as to how relevant capacities are already referenced within the Connections Methodologies, in particular the Connections Network Design Methodology (CNDM) and the NESO Gate 2 Criteria Methodology (G2CM). It was discussed that it would be necessary for NESO to update the CNDM and G2CM when the SSEP; which is expected, for the purposes of calculating the 'OTCF Technology Permitted Capacity', to supersede the CP30 Action Plan; comes into force, and as such, there may be a clean way to cross reference the CNDM. However, the risk of linking a CUSC definition to the Connections Methodologies, given their separate governance process, was also acknowledged by the Workgroup. Ultimately, the Workgroup developed a definition drawing on the CNDM: "the maximum of the relevant technology specific capacity range used for the purpose of calculating the Permitted Capacity as defined in the Connections Network Design Methodology".

Will the market resolve the issue itself in time for the CP30 Action Plan?

Given this material oversupply compared with the size of the likely battery services market in GB, there may be significant levels of natural attrition in batteries. This could take the form of Developers not signing their Gate 2 Modification Offers (CMP435) under G2tWQ, self-terminating their Gate 2 Connection Agreements, or not applying for protections under the next (CMP434) application window. However, it is the view of NESO, the Proposer of CMP470 and some Workgroup members, that this natural attrition could take several years, if not longer, to have a material impact on battery (MW) volumes, which could exacerbate or extend the risks referred to above. NESO, (separately to CMP470) is therefore discussing with the UK Government and Ofgem whether any further action should be taken to mitigate battery oversupply.

Workgroup members discussed whether market forces alone could resolve the current connection queue oversubscription with BESS, noting that most attrition happens early on. Concerns were raised about financial commitments for projects with later connection dates, with suggestions for more gradual approaches.

Some members argued that the proposal might disadvantage less advanced projects and smaller Developers, raising anticompetitive concerns. The Workgroup debated whether additional fees or securities would solve the issue or merely redistribute costs, emphasising the need for fair and alternative solutions. Furthermore, some members argued that the high levels of the OTCF would result in smaller Developers or Developers

[27] Clean Power 2030 Action Plan: connections reform annex (updated April 2025)

with smaller balance sheets being forced to sell economically viable projects, which would subsequently be purchased by larger Developers. This, in the view of some members, would be highly anti-competitive, and fail to reduce the level of oversubscription.

Several Workgroup members noted that if insufficiently-capitalised Developers were unable to sell before the OTCF was implemented, they would be forced to terminate economically viable projects. Commercial transactions should take 3-6 months but can take longer to be completed and this further adds to the concerns of CMP470 being anticompetitive.

The Proposer acknowledged that the market would likely resolve oversubscription over time, with:

- Unviable projects either not being bought by Developer/owner/operators to construct, or they would not reach a FID
- Projects late in the connection queue being unable to make a FID because earlier projects drive reductions in revenue projections

But the Proposer also noted that this is likely to be a slow process taking multiple years. The OTCF is intended to accelerate that process, quickly facilitating certainty for the TOs and projects on which subset of battery projects will proceed.

Other options under consideration beyond the scope of CMP470

In its Connections Reform Connections Methodologies Annual Consultation, NESO has identified that:

"Taking further action to mitigate battery oversupply also carries risks:

- cost risk to affected battery Developers
- risk of 'overcorrection' (that is too large or insufficiently targeted an impact)
- loss of investor confidence due to further, potentially unexpected, policy changes"

Accordingly, NESO considers that "any action would therefore need to be carefully considered and calibrated".

One option identified by NESO in that consultation is "to introduce additional financial incentives for batteries – for example an additional financial security to be paid by batteries with Gate 2 agreements that are above the permitted capacities, which would be recovered when the battery connects. This could be calibrated so that, for example, it

only applied to batteries more than [10%] above the permitted capacity, to mitigate the risk of causing undersupply or delays to nearer-term battery connections."

Separate to CMP470, an action that could be taken (by NESO) would be to disapply protection clause 3a (and, for completeness, protection clause 3b) for batteries so that only 'ready' batteries that meet protection clause 2b could meet the Gate 2 criteria in the next (CMP434) application window. This would ensure that batteries that had secured a Contracts for Difference (CfD), Capacity Market contract, Ofgem cap and floor (for Long Duration Electricity Storage - LDES), or a NESO 'Network Services' contract – and could therefore be considered genuinely needed - would be able to receive a Gate 2 Offer in the next (CMP434) application window but no others. It would not have any effect on batteries that secured a Gate 2 Agreement through the (CMP435) G2tWQ process. However, it would prevent additional batteries from receiving a Gate 2 Offer in the next (CMP434) application window, thereby avoiding further material (MW) oversupply.

In Workgroup 12, a NESO Subject Matter Expert (SME) provided an overview of the responses to its recent consultation[28] in terms of the connection queue on battery oversupply. The key themes from those consultation responses were as follows:

- Majority of respondents accept that actions are required to address battery oversupply.
- Majority (54%) showed strong opposition to disapplying protections 3a / 3b in the next (CMP434) application window. Examples of themes include:
    - The market should be able to decide.
    - Retroactive changes without sufficient notice.
    - Risk of discriminating against Scottish projects due to divergent planning system.
- 26% supported disapplying protections.
- 20% were neutral.
- Respondents highlighted use of a financial mechanism as an alternative to disapplying protections (i.e. CMP470). Split views generally on the introduction of an additional financial incentive.
- Minority support for other mechanisms such as bay sharing/contestable works to maximise projects able to connect, enhanced queue management and cost/TEC amnesties.

The NESO SME informed members that NESO will publish a response to these comments, from stakeholders, as part of their submission of the methodologies to Ofgem and

[28] Dated 17 March 2026, on the Connections Reform Connections Methodologies.

confirmed this will be publicly available around mid-June[29]. The NESO SME noted that NESO supports the introduction of an appropriately designed financial incentive which aligns to the principle and benefits of Connection Reform as highlighted by WACM4.

A Workgroup member highlighted that actions taken by NESO via changing the Connections Methodologies could materially impact the perceived defect, but it is currently unknown which, if any, of these actions would be taken forward. The Workgroup endeavoured to consider the implications of other actions taken forward by NESO on the issue of oversubscription as more was known within the timeframe of this modification. Workgroup members noted that although formal conclusions were not made, the NESO SME did provide an overview of the responses to the consultation in Workgroup 12 as outlined above.

DESNZ and Ofgem have requested TOs to expand the use of bay-sharing as a potential tool to mitigate the impact of oversubscription. Bay sharing can avoid the need to extend existing substations or build new substations and therefore should accelerate the connection of battery projects and other technologies as less infrastructure is required to be built.

Implications of DESNZ and Ofgem Open Letter

DESNZ and Ofgem published an open letter[30], on Connection Reform delivery, on 16 April 2026. The Workgroup discussed it that day, highlighting the following key extracts for consideration.

"It will be important to ensure that non-viable projects leave the queue before the network companies have committed significant capital expenditure, both for their connection and for any wider network reinforcement, and in good time to allow their capacity to be reallocated at the next connections window. The later non-viable projects leave the queue, the greater the risk of driving unnecessary network redesign, risking knock-on impacts for other projects, and increasing costs for bill-payers. We therefore encourage project Developers to review the viability of their project's business case and to respond to their offer accordingly in a timely fashion."...[AND] "We note that NESO's annual consultation on its connections methodologies sets out the possibility for the disapplication of protections under clauses 3a and 3b, such that only battery projects that have secured a revenue support scheme would be eligible in the next

[29] Which is likely to be after this Workgroup Report is submitted to the CUSC Panel.
[30] Open letter from DESNZ and Ofgem on Connections Reform delivery - GOV.UK

window. This would address further oversupply in future windows, as it is expected that an additional 8 to 20 GW of battery projects currently in Gate 1 could qualify for a Gate 2 offer."

The Chair led the Workgroup in reviewing and discussing the open letter from DESNZ and Ofgem about Connection Reform. They focused on how the letter impacts the CMP470 solution; i.e. the OTCF.

Several Workgroup members discussed the meaning of a 'pragmatic approach', as outlined by DESNZ and Ofgem (*"Once offers are issued, we expect network companies to take a pragmatic approach to network build in delivering connections, reflecting the current surplus and likely attrition, and to assess funding commitments accordingly"*), debating whether TOs should construct network infrastructure based on the current connection queue of projects (i.e. ~90GW in the case of BESS) or follow a broader strategic plan (i.e. the ~30GW in the CP30 Action Plan). Following the open letter, a TO representative advised the Workgroup (at its next meeting) that the term 'pragmatic approach' is unhelpful as TOs are obliged to construct network infrastructure based on the current connection queue; in other words, to plan / build for the ~90GW (rather than the ~30GW).

Workgroup members emphasised that TOs are adhering to the current connection queue-based approach. This clarity is necessary to prevent misunderstandings related to the term "pragmatic approach" and to ensure that stakeholders are fully aware of the regulatory context. Additionally, one Workgroup member confirmed that although TOs perform risk assessments and strive for efficiency, their actions are ultimately governed by license requirements. Any pragmatic decisions, such as those regarding equipment ordering, must not override these regulatory obligations.

The DESNZ representative clarified that TOs are expected to strike a balance between their license obligations and maintaining operational flexibility and noted that DESNZ is actively monitoring the effects of these practices.

Several Workgroup members highlighted the need to clearly determine when TOs commit to major capital expenditures. Since the purpose of the OTCF is to ensure that non-viable projects exit the connection queue before significant investments are made (by the TOs), the Workgroup agreed that obtaining more detailed information from TOs regarding the timing of these expenditures is essential.

The open letter's focus on timely project attrition and strategic network planning guided the Workgroup's discussion about the urgency and design of the OTCF. Members considered bold measures, such as a 'shock and awe' approach (which might,

hypothetically, involve applying the full £25k/MW immediately if an oversubscription of 50% or greater occurs), while also stressing the importance of avoiding unnecessary network redesign work being undertaken by the TOs (which, in the case of BESS, was likely to occur if they were designing for the ~90GW rather than the ~30GW).

In Workgroup 12, the Authority representative noted that Connection Reform has delivered several positive outcomes. In particular, they highlighted that the reform has improved the overall connection queue quality by removing speculative projects and creating space within the connections queue. The reform has also ensured that projects which are genuinely ready to connect, particularly those targeting near-term connection dates, are not unfairly disadvantaged. The Authority representative emphasised that these protections have supported viable project progression and contributed to more efficient system outcomes and that the current issue of battery oversubscription should be understood in this context rather than undermining the broader success of Connection Reform.

Important note regarding key publications prior to the Workgroup consultation

Members acknowledged recent policy developments, such as the Ofgem blog and DESNZ pricing work on the day of the last Workgroup meeting prior to the Workgroup consultation.

DESNZ issued its 80 page 'Reformed National Pricing Plan' document (Reformed National Pricing (RNP): delivery plan - GOV.UK) and Ofgem issued a blog (Strategic energy planning and Connections Reform in 2026: putting plans into action | Ofgem).

Before issuing the Workgroup consultation, the Workgroup did not have sufficient time to assess these publications or consider any potential impact they might have on CMP470. However, following the consultation, members concluded that the publications were not directly relevant to this modification, as the Open Letter does not modify the NESO Existing Timeline for the TM04+ process.

Workgroup discussion on the proposed solution

Workgroup members debated whether the OTCF should apply to all ~90GW of BESS projects or only those outside the cap[31], with one Workgroup member suggesting regional or queue-based application, and others arguing for a broad application due to connection queue prioritisation issues.

[31] In simple, illustrative, terms would it apply to the ~60GW oversubscribed BESS projects (of the ~90GW total, including the ~30GW needed, according to the CP30 Action Plan).

Several participants raised concerns that the OTCF could disproportionately affect smaller Developers and lead to market consolidation, potentially favoring those project Developers with larger balance sheets (that could, it was argued, afford the £/MW thresholds being suggested for the OTCF).

Clarification of Acceptance Fees and Securities Process

The Workgroup examined several key topics, including the current status of acceptance fees for Gate 2 Modification Offers, the procedures for collecting and returning OTCF securities, and the impact these processes have on both Distribution Network Operators (DNOs) and project Developers. It was clarified that acceptance fees are not presently applicable to Gate 2 Modification Offers and will only be required for (future) CMP434 applications. Payment terms may vary between DNOs, with additional guidance to be offered as necessary.

The Workgroup discussed that the OTCF is taken as a security at the outset and is held until project energisation, with additional amounts collected if the fee increases. If oversubscription decreases and the OTCF is deactivated, the security is returned to the relevant project(s)[32]. Concerns were raised about the credit risk to DNOs and the method for managing and returning these OTCF securities, specifically querying whether these securities funds would be held by the respective DNO or NESO. The Proposer stated that the process would follow established securities arrangements.

Clarification on Connection Queue Exit and Re-Entry Process

Workgroup members asked for confirmation that when a project terminates a Gate 2 Agreement, it is removed from the connection queue and does not return to Gate 1. A NESO representative clarified that if a Gate 2 Agreement is signed and subsequently terminated, the project is removed from the connection queue and does not revert to a Gate 1 status. However, if a Gate 2 Modification Offer is not signed, or a project applies to a Gated Application Window already holding a Gate 1 Agreement and the Gate 2 Offer is not signed, the project has the option to return to Gate 1.

One member expressed concern that introducing additional securities, such as the OTCF, while retaining extended protections for an oversubscribed BESS connection queue is inconsistent. In their view, removal of the 3a/3b protection status[33] should precede any further security requirements. This was not part of this CMP470 modification, but (in the view of the Workgroup member) without this then sorting out the issues from Connection Reform won't be addressed. The Proposer disagreed with this view, noting that the rationale for introducing 3a protections was set out when those

[32] That provided the OTCF security in the first place.
[33] Which, it was noted, could only be done by NESO, rather than, for example, via a CUSC Modification.

protections were introduced (namely that they are needed to avoid undue discrimination between projects in regions and/or sizes with slower consenting processes) and still stand.

Parameters Discussion

Parameter 2 – National or regional application

Several Workgroup members observed that implementing a nationwide OTCF might discourage project development in regions with lower levels of oversubscription of the technology. This could result in regional areas experiencing an under-supply of network capacity. To address these concerns, the Workgroup reviewed the CP30 Action Plan's zonal (MW) targets and considered whether applying the OTCF on a regional basis could better support balanced network development across different regions in GB (than the national application of the OTCF).

Several members of the Workgroup discussed whether the OTCF should be implemented on a national or regional[34] basis. They pointed out that certain regions experience much less oversubscription of BESS projects and could face shortages if a nationally applied OTCF discourages BESS project development in those regions. The Workgroup carefully considered the benefits and challenges of applying the OTCF regionally, weighing the potential impacts on supply and fairness.

Parameter 3 – Timing

Workgroup members suggested implementing distinct OTCF structures or timelines for projects based on their duration, differentiating between near-term and long-term initiatives. Some Workgroup members also suggested dissapplying the OTCF at connection User Progression Milestone 7 (M7, project commitment) or Milestone 8 (M8, construction start). The Proposer did not include this within their Original solution noting that these milestones could be open to gaming risk. For example, starting construction could involve early groundworks on site, and precede major contracts being signed.

One member discussed that it is the projects that are in front of the connection queue that hold up the connection queue, rather than the projects at the end of that queue. Applying financial security to all projects of an oversubscribed technology, for which the OTCF has been activated, irrespective of the connection dates may have the unintended

[34] Currently based on those regions used in the CP30 Action Plan which may, in the future, be different to those used in the SSEP.

consequence of projects that are at the end of the connection queue dropping out as they cannot afford the security for several years even if those projects are viable.

Parameter 4 – Application Method

The Proposer explained that the OTCF is designed as a financial commitment mechanism to prompt the removal of unviable projects from the oversubscribed BESS queue, thereby reducing the likelihood of unnecessary stranded network investments. The discussion focused on refining the application method of the OTCF, specifically considering whether it should remain a uniform, stepped, £/MW structure or be limited at the maximum securities level for each project, reflecting the peak securities typically reach just before trigger date or just before project energisation depending on the attributable works profile.

Parameter 5 - Level of the securities floor

Several members raised concerns that the proposed maximum fee of £25k/MW is excessively high. They pointed out that such a fee could place an undue burden on smaller Developers or projects with extended timelines, potentially making them unviable. To address these issues, they recommended setting a lower maximum £/MW fee or adopting a more gradual ramp-up in the proposed fee levels. Additionally, they emphasised that increasing fees for reasons beyond a Developer's control may be unfair.

One Workgroup member noted that applying the OTCF on a £/MW basis disproportionately impacts larger (in MW terms) projects, despite connection queue constraints being driven primarily by physical limitations (e.g. bays and substation space) rather than project (MW) capacity size or related to issue/cost risk of access or cable route. The member suggested that applying a limit at an individual project level for the bay, not the overall (MW) capacity is a more reasonable approach. The member described how a lower £/MW number would be enough for projects to withdraw, and suggested this be based on a limit of £5m to the OTCF regardless of (MW) size of each project or if the £/MW number is reduced, such that it does a similar thing.

The Proposer discussed an approach for linking the OTCF to each project's maximum securities exposure. Under this approach, all projects would initially face OTCF increments, but further increases would be limited at a project's own peak forecast securities level rather than a universal ceiling.

This would mean that projects with lower securities would reach their (OTCF related) limit sooner, while those with higher securities would continue to incur a higher OTCF level until their maximum exposure was met.

This method would aim to differentiate between projects based on their network impact and to avoid unfairly penalising projects with lower network costs, thereby making the OTCF structure more equitable and reflective of individual project risks. One Workgroup member noted that lower network costs and securities can be a competitive advantage for a battery project, and so introducing (for the OTCF) a floor without a limit linked to a projects existing securities may risk undermining competition in the market. The Proposer did not incorporate this into the Original solution, but a variant limited at securities for each project became WACM1.

Parameter 6 - Application to co- located projects

Workgroup members asked about how the OTCF would apply to co-located projects (i.e. where there is more than one technology). The Proposer explained that the OTCF is only charged on the oversubscribed technology and clarified that lithium-ion batteries are not considered in the LDES definition so would therefore fall within the BESS definition (and, if applicable, the OTCF).

A Workgroup member emphasised the importance of ensuring that co-located projects, which have minimal impact on the network, are not subject to disproportionate penalties. This approach aims to promote fairness and recognise the varying levels of network impact among different types of projects.

The approach to co-location projects in the Original solution has been refined since the Workgroup consultation and is reflected in the solution description above. An alternative, without the exemption for some co-located projects, became WACM4.

In Workgroup 13, the NESO SME responded to a data request on how many MW relate to projects where the BESS connects second and has a larger installed capacity than the technology connecting first. The NESO SME provided the table below and explained that, of the 8,746 MW of battery capacity where another technology connects first, 2,713 MW is associated with projects where the battery capacity exceeds that of the technology connecting first. The Workgroup therefore noted that the exemption included in the Original solution (and excluded in WACM1) could apply to a maximum of 6GW of co-located BESS but would likely apply to a subset of that 6GW as this analysis does not consider whether the later connection has attributable costs or connection costs less than £250k.

Gate 2 Battery Project MW Capacity by First Connection Technology	
Grouping	**Capacity (MW)**
Standalone	52,825
Battery First or Same	21,264
Other Tech First	8,746
Grand total	**82,835**

A Workgroup member noted that the current evidence base on co-located battery projects is not sufficiently detailed to support a robust assessment of their cost and system impacts. While some high-level figures have been provided, he highlighted that these do not capture the project-specific characteristics needed to understand the implications of co-location, such as where infrastructure is shared.

Implementation approach

Workgroup members engaged in a detailed discussion about the most effective timing for OTCF activation, taking into account factors such as the NESO's published Gate 2 Modification Offer timetable, the 90 day acceptance period for Transmission offers[35], natural market attrition, and synchronisation with the biannual securities statements. The Proposer provided clarification on the proposed timeline.

Several Workgroup members emphasised the importance of providing a clear matrix to illustrate how the OTCF interacts with current commitment fees and securities. The Proposer assured the Workgroup that the Original proposal is consistent with established securities standards and noted that there may be additional administrative steps required. Worked examples have been provided in the Original proposal (**Annex 01**).

One member felt that the proposed implementation would be premature ahead of Gate 2 contract completion by projects. They noted that the proposed OTCF timeline overlaps with the planned publication of the SSEP (Autumn 2027) and would not materially influence NESO or TO/DNO planning before late 2027. Given this, the member noted that deferral (of the OTCF application) until after the SSEP was published, together with anticipated changes from the NESO's 2026 annual Connection Reform methodology

[35] The time period that each project, which receives a Gate 2 offer, has to accept and sign that offer.

consultation, is expected to provide clearer insight into strategically aligned projects and may further reshape the connection queue.

The Proposer agreed that the OTCF should only be implemented after most Gate 2 Modification Offers have been signed or lapsed, and so updated their solution to be activated once all Gate 2 Modification Offers from the (CMP435) G2tWQ Application Window have either been signed or have expired and projects which apply for Gate 2 status in the first (CMP434) Gated Application Window are confirmed as holding Gate 2 status (or not). This would likely set the practical application timeline, for CMP470, to begin with the July 2027 security statement for October 2027 securities.

Alternative Options Discussion

In the initial meeting, Workgroup members proposed various alternative options, such as time-limited fees, lower initial amounts, refundable securities, and lagged implementation based on connection dates or market milestones. The use of a parameter matrix to facilitate comparison of alternatives was encouraged by some of the Workgroup Members.

One Workgroup member presented four possible alternative options to the Workgroup.

Option 1: "Capacity Haircut" - Upon issuance of Gate 2 Connection Offers, NESO could apply a standardised derating to contracted capacity, whereby all projects within an oversubscribed technology category (e.g. BESS) are issued connection rights equivalent to 90% of their requested import and export capacity.

Option 2: "Gate 2 Mod App Amnesty" - To encourage voluntary rationalisation of the BESS queue, rather than a passive "wait-and-see" approach, this would propose the introduction of a one-off flexibility window. This would allow Developers to submit a Modification Application (Mod App) to vary their existing Gate 2 connection offer into an alternative configuration—such as converting a BESS project into a generation- or Demand-led scheme—without forfeiting their established position in the connection queue.

Option 3: "Capacity-for-Acceleration Mechanism" - Most participants in the connection queue manage multiple projects, often overseeing portfolios across several sites rather than single assets. Developers tend to evaluate these portfolios collectively, focusing on overall business growth and identifying where the main value lies. This option proposes the introduction of a new mechanism whereby Developers could voluntarily "surrender" selected projects in their portfolio in exchange for accelerated and preferential connection dates for their remaining assets.

Option 4: "CP2030 Duty" - The Original proposal would effectively impose additional upfront costs on Developers with longer-dated portfolios, prior to the realisation of any operational revenues from their investments. In contrast, this option would suggest an alternative approach through the introduction of a "CP2030 Duty", which would reframe this dynamic into a post-connection contribution. This would be applied as an annual, fixed £/MW charge on operational projects falling within the 29GW technology allocation target. This mechanism would operate as a contribution reflecting the system costs associated with accommodating significant volumes of generation within constrained network capacity, while also providing a dedicated funding stream for ongoing connection queue and system management.

Another Workgroup member suggested a one-time payment of £1.5K/MW, due 18 months after a project's Gate 2 Agreement is countersigned and refundable upon project energisation. This approach aims to support market attrition and enable a more informed evaluation of project needs before requiring financial commitments.

The Workgroup examined whether these options could be managed within the CUSC framework or if changes to the NESO's Connections Methodologies would be necessary or whether they would be a viable alternative request(to CMP470). They also highlighted the importance of receiving NESO guidance to clarify governance and ensure effective implementation (if these options were to be taken forward).

Alternative Requests

Two Alternative Requests (**Annex 05**) were submitted by Workgroup members prior to the Workgroup consultation. During Workgroup meeting 4, the Workgroup discussed these Requests. Both Alternative Request Proposers agreed that an Alternative vote would not take place before the Workgroup consultation.

Workgroup 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.

This alternative relates to the 'timing' design parameter and proposes to delay the start date (the point at which the OTCF 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 Modification Offers.
- For New Gate 2 Offers thereafter: Delay to 1 year from acceptance of Gate 2 Offer. Implementation date: 6-month delay to the current proposed timing (this current date being October 2027).

Workgroup discussion: Root Power proposed an alternative approach suggesting the deferral of OTCF implementation, with the rationale being to allow for natural connection queue attrition following Gate 2 Modification Offers, enable flexible connection assessments to occur after G2tWQ, and account for limited near-term network investment in long-dated BESS projects.

Workgroup Alternative Request 2 – Alternative Fixed One-Off Security

Overview: Proposes a fixed £1.5k/MW OTCF fee payable 9 months from signature of the Gate 2 Agreement as a one-off payment and fully refundable on project energisation.

This alternative request seeks to establish a fair and proportionate balance of risk, whilst seeking to reduce the connection queue and also to simplify a process which is becoming overly complex and overly regulated.

The proposal is as follows:

1. Single one-off payment applicable to all Gate 2 BESS projects regardless of being in the oversubscribed connection queue;
2. Set at £1.5k/MW applicable to all Gate 2 projects regardless of being in the oversubscribed connection queue;
3. The fee becomes payable 9 months from acceptance of Gate 2 grid offer, applicable to all projects; and
4. Fully refundable on project energisation.

Workgroup discussion: Firstway Energy introduced an alternative approach consisting of a single fixed one-off security for Gate 2 BESS projects, which would be paid following a specific period after offer or acceptance and refunded upon project energisation.

The discussion emphasised simplicity and reduced administrative burden of this method but also raised concerns that the proposed security level might not be sufficient to encourage meaningful attrition. Additionally, uncertainties were noted regarding oversubscription thresholds and how this proposal would interact with Gate 2 acceptance.

Workgroup Consultation Summary

The Workgroup held the Workgroup Consultation between 24 – 30 April 2026 and received 55 non-confidential responses and 3 confidential responses[36]. The full

[36] Note: all references below to 'responses' or 'respondents' only refers to the non-confidential responses/respondents and not to any confidential responses / respondents.

non-confidential responses and a summary of those responses can be found in **Annex 06**.

Respondents[37] mainly consisted of Generators (32) and Storage (18). Smaller groups were Distribution Network Operators (5), Other (4), Demand (3), Suppliers (2), Industry Body (1), System Operators (1), and Transmission Owners (1).

How did industry feel about CMP470 against each CUSC objective?
The number of respondents who believed the Original solution better facilitates each applicable objective is as follows: Objective (iv): 30 respondents, Objective (ii): 24 respondents, Objective (i): 15 respondents, and Objective (iii): 2 respondents. The primary themes identified were:

- Improved connection queue management and efficiency
- Enhanced competition among viable projects
- More efficient and targeted network planning
- Acceleration towards Clean Power 2030 targets
- Reduction of unnecessary system and consumer costs

A significant number of respondents did not consider the Original solution to better facilitate any of the applicable objectives. The key reasons given were:

- Anti-competitive impact favouring capital-rich Developers
- Disproportionate financial burden and risk
- Increased administrative complexity and bureaucracy
- Risk of undermining investment confidence
- Potential for unintended consequences and ineffective targeting

Implementation approach
A few respondents fully supported the proposed implementation approach: one supported it because it clearly specifies when Gate 2 projects will become liable for the OTCF, and the other supported it because the approach bases assessment on signed Gate 2 Agreements describing how this improved certainty and fairness around who is counted as committed.

Several respondents supported the approach but with caveats which focused on:

[37] Note: the numbers here do not add up to the 55 referenced above, as some respondents may have indicated that they fall into more than one of these groupings.

- Scope - exempt projects close to project energisation or tailor treatment by technology such as storage
- Transitional fairness - opt-out for parties who entered Gate 2 Agreements before OTCF was confirmed
- Timing - implement only after Gate 2 Modification Offers are issued, signed or lapsed and allow time for attrition, transactions, and Technical Limits or Non-Firm offers to be reviewed
- Design clarity - align more closely with existing commitment methodology where security reduces with milestones, clarify how the fee applies to asymmetric bidirectional BESS, avoid setting unintended precedent beyond the oversubscribed generation/storage context and undertake an economic assessment to mitigate "deep pockets" bias.

Respondents opposed to CMP470 as drafted on the basis that a retrospective commitment fee is punitive, undermines investor confidence and regulatory certainty. It was suggested a market-based connection queue exit auction as a fairer alternative. Another respondent was unsupportive because it saw the solution as overly complex, with step-ups driven by other parties' actions or inaction.

Many respondents partially disagreed with the implementation approach raising the following concerns:

- Too broad or severe – the approach should be narrowed or redesigned such as applying only beyond CP2030 targets, exempt projects near energisation, or use a simpler lower or refundable mechanism
- Timing is premature or still too compressed – suggesting implementation should occur only after the Gate 2 Modification Offers are issued, signed or lapsed and attrition has occurred, with more runway for Developers to make informed exit or transaction decisions including time to see SSEP and to receive or assess Technical Limits and Non-Firm offers.

Understanding of the issues which oversubscription creates

Many respondents fully agreed with the Workgroup's understanding of the issues created by oversubscription. Across these responses, the following reasons were given:

- Leads to inefficient or distorted network planning, including over-design and unnecessary investment
- Delays or blocks more viable and strategically aligned projects behind less viable schemes in the connection queue

- Reduces certainty and confidence in which Gate 2 projects are genuinely likely to progress
- Can impose wider costs on consumers and the system by misallocating network and planning resources.

Several respondents also emphasised that the current scale of BESS oversubscription materially exceeds CP2030 needs, that TOs are still obliged to plan against the contracted connection queue, and that low costs of remaining in the connection queue allow weaker projects to persist for too long.

Many respondents partially agreed, generally accepting that oversubscription could create planning inefficiencies, connection queue blockage and uncertainty. However, these respondents argued that the issue may be overstated, insufficiently evidenced and uneven by region or technology. Some respondents felt the issue was already partly managed by existing milestones, securities and natural attrition. Common reasons for partial agreement included concerns that later-dated projects are still largely a "paper" issue, that co-located or hybrid projects may not create the same infrastructure burden, that more detailed evidence is needed on regional impacts, timing of TO expenditure, and the actual scale of oversubscription

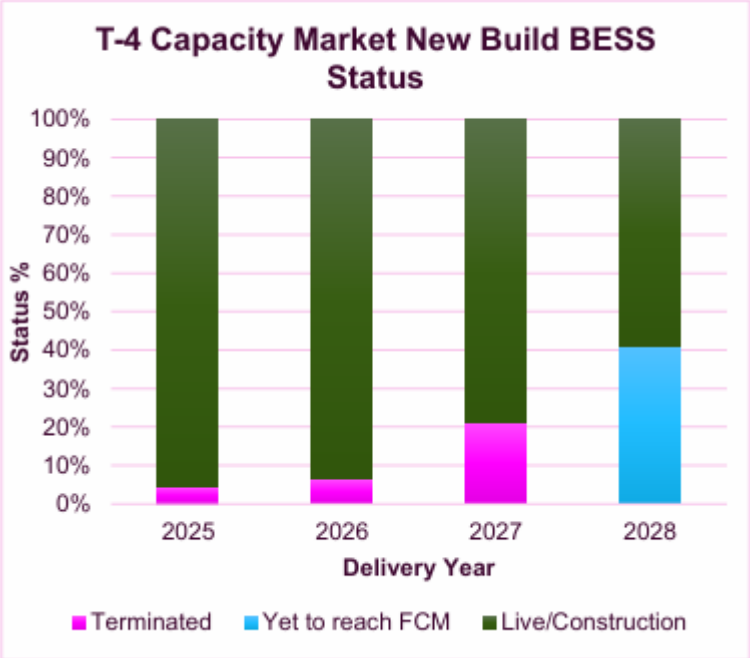
A few respondents who did not agree with the Workgroup understanding of the oversubscription issue contended that TOs do not in practice face the level of stranded consumer cost or planning inefficiency suggested, because investment is staged and ultimately funded by connection customers rather than consumers. If a connection customer terminates its offer, NESO recovers stranded investment from that customer via the Cancellation Charge. Some respondents felt the Workgroup consultation failed to show that connection queue position is the primary cause of delay and that the framing conflates the existence of oversubscription with the case for intervention. These respondents felt alternative mitigations such as bay sharing, protection changes, regional assessment, or wider Demand-led reforms should be considered.

Evidence which may support the proportion of projects in the Gate 2 queue are unviable

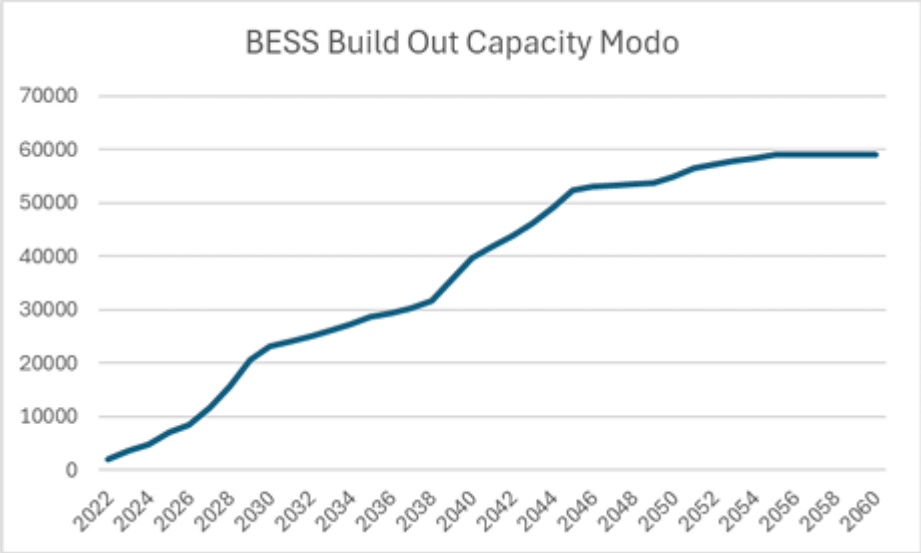
Overall, the responses indicate that a material proportion of projects in the Gate 2 queue may not progress to construction, with evidence pointing to attrition as a normal feature of development due to land and planning constraints, financing difficulties and revenue uncertainty, particularly for BESS. Respondents cite wider market evidence that 63% of projects between 2018 and 2023 were abandoned, refused, withdrawn or saw consent expire, alongside one party's experience that 55% of 78 Ready to Build (RTB) acquisition opportunities assessed in Great Britain were ruled out on economic or constructability

grounds. While BESS viability is seen as especially uncertain given the relative immaturity of the sector, responses also emphasise that project viability is highly fact-specific and should ultimately be tested by the market, with concerns that blunt financial screening measures could reduce competition and increase consumer cost.

One respondent provided evidence from the T-4 Capacity Market register which highlights that even without securities freeze (since 2024), New build BESS CM contract termination (which carries penalties, not just securities) is rising and attrition is occurring naturally – exceeding 20% for 2027, with up to 40% of 2028 BESS still at risk of termination.



Another respondent provided BESS build-out forecast data from Modo Energy (**Annex 07**) and a graph (Gate 2 pipeline snapshot) to detail how projected BESS deployment requirements for 2035 and 2050, allowing for comparison with existing Clean Power 2030 targets. While Clean Power 2030 sets an ambition of 23–27 GW of BESS by 2030, projections for 2050 indicate the need for significantly greater capacity to support a decarbonised power system and increased renewable penetration. Long-term projections indicate that BESS capacity could need to reach 60–80 GW or more by 2050 to support full decarbonisation, system balancing, and security of supply.



One respondent (TO) explained that within their licence area, there are ~ 15GW of protected Gate 2 offered, battery storage capacity. This, combined with ~2GW already connected exceeds CP2030 aligned requirements of ~10.1GW by nearly 7GW (66%). In addition, there is a further ~3.5GW of Gate 2 Phase 1 and 31GW of Gate 2 Phase 2 BESS capacity in the connection queue. Taking this into account, total Gate 2 capacity exceeds CP2030 requirements by~41GW (over 400%), highlighting the scale of oversubscription to manage. The level of oversubscription is so great that it would expect to see oversupply of BESS into 2040 and 2050, as shown in the following table showing the percentage of oversupply in Gate 2 against NESO's 202 Future Energy Scenarios (FES), using the scenario with greatest capacity of BESS as a comparator (Holistic Transition).

NGET BESS	Gate 2 Phase 1	Gate 2 Phase 2
Oversubscription 2040	~ 59%	~ 299%
Oversubscription 2050	~ 56%	~ 291%

The respondent went on to say that the figures presented are indicative and based on the latest available data; given the dynamic nature of the connections reform, the connection queue and project progression, all values are subject to change. This demonstrates that the current connection queue already contains materially more capacity than required, even under high ambition net zero future energy scenarios, extending to 2050.

One respondent cross-reference four independent data layers for each Gate 2 project. The headline findings, by proceedability tier were as follows:

- GREEN — clear evidence of proceeding (planning consent + active SPV + commercial signals + acceptable curtailment): 137 projects, 5,087 MW, 27% by capacity
- AMBER — mixed signals: 185 projects, 5,910 MW, 31% by capacity
- GREY — invisible to standard public-data scrutiny (no SPV trace, no planning record, no Companies House activity): 123 projects, 4,679 MW, 24% by capacity
- RED — adverse signals (refused/abandoned planning, dissolved SPV, severe curtailment with no debt commitment): 88 projects, 3,482 MW, 18% by capacity

Combined RED + GREY accounts for 42% of NGED Gate 2 capacity — projects that are either provably struggling or untraceable. The remaining capacity divides between durably-developing projects (GREEN, ~27%) and projects in genuinely uncertain territory (AMBER, ~31%).

Comments on the Workgroups understanding of technical and economic viability

Many respondents fully agreed with the explanation that economic viability is often the more decisive factor in whether projects progress, and that is influenced by a wide range of market, financing, cost, revenue and locational factors. Many projects may remain technically capable of connecting while becoming economically uninvestable, particularly where BESS market saturation and long connection queue positions undermine forecast revenues. Several respondents also agreed that Developers are unlikely to self-identify projects as unviable, and that the Workgroup was right to recognise the limits of technical criteria alone in distinguishing which projects are genuinely likely to proceed.

Many respondents who partially agreed emphasised important qualifications. These responses generally accepted the Workgroup's broad framing while stressing that viability is dynamic, project-specific and highly nuanced, rather than a binary status that can be inferred at a single point in time. Common caveats were that "uninvestable" may be a better term than "unviable". Viability can change materially between Gate 2 and FID due to planning, land, financing, supply chain or market shifts, and that some project types (such as co-located, hybrid or distribution-connected schemes) may not fit the general assumptions being applied. Others noted that Developers are usually best placed to judge viability themselves, that more evidence or independent validation of market assumptions would be helpful, and that any policy response should avoid using financial capacity as an overly blunt proxy for genuine technical or economic merit.

Several respondents disagreed arguing that the analysis was either insufficiently evidenced or too uncertain to rely on, with one saying there was limited information and an assumption that oversubscription is inherently bad for viability. One respondent felt

the current framing does not fully capture important nuances or project differences. Some respondents argued that projects can be ready and viable without yet having a Gate 2 Offer, meaning the analysis may not align with "first ready, first connected". Respondents said viability should be assessed more granularly against actual connection costs, reinforcement needs and locational factors, rather than broad assumptions. It was highlighted that distribution, hybrid and co-located projects may not fit the general viability model being applied, and other respondents questioned the robustness of the underlying market modelling, calling for independent validation and warning that a financial mechanism alone is unlikely to reliably separate the best projects from the rest.

Proposed activation threshold of 50% oversubscription and deactivation threshold of 25% oversubscription

Many respondents fully agreed. The main reasons given were that the 50% activation and 25% deactivation thresholds provide a sensible and pragmatic balance, ensuring the OTCF is only triggered where oversubscription is materially significant, while the deadband helps avoid volatility, over-correction and repeated switching on and off. Several respondents also said the thresholds provide clarity and predictability, align reasonably with current levels of BESS oversubscription, and offer an appropriate buffer to reflect natural attrition and uncertainty in which projects will ultimately progress. Respondents who partially agreed mentioned caveats around the calibration, application and supporting evidence for the thresholds. These respondents generally accepted the value of having an activation/deactivation deadband to prevent instability but argued that the specific percentages may be too high, too low, insufficiently evidenced, or in need of periodic review. Common qualifications included concerns that the thresholds should be recalibrated over time, potentially set with greater regional or technology-specific flexibility, better aligned to 2030 rather than 2035 reference points, or adjusted to account for attrition, future uncertainty and connection queue proceedability. Others supported the broad structure only if the wider OTCF framework proceeds, while stressing that clearer evidence is needed to show the proposed levels are proportionate and linked to actual system harm.

Respondents who disagreed with the proposed activation and deactivation thresholds argued that the thresholds were either miscalibrated or insufficiently evidenced, with some viewing the 50% activation threshold as too low because it could trigger intervention too early despite future Demand uncertainty and natural attrition, while others considered the 25% deactivation threshold too cautious or too low, meaning the mechanism could remain in place longer than necessary or continue to affect viable projects. A common concern was that the thresholds could operate as a blunt and

punitive intervention, imposing additional financial pressure on Developers for factors outside their control, disproportionately affecting smaller or capital-constrained parties, and potentially removing projects that are viable in substance but unable to absorb the security requirement. Several respondents also said the proposed calibration should only be assessed once Gate 2 outcomes are clearer and should be better tied to evidence of actual system harm, future need and connection queue behaviour.

NESO produced some analysis on Gate 2 capacities by technology against CP30 targets which was considered by the Workgroup (**Annex 12**).

Should the OTCF be applied based on national or regional oversubscription
Many respondents clearly supported a national approach without material caveat. The reasons given were broadly consistent such as a national basis would be simpler and less burdensome to administer, would avoid volatility and arbitrary outcomes that could arise from small regional pipelines or local fluctuations, and would better align with the national operation of existing protections and mechanisms. Several respondents also argued that a national approach avoids sending potentially misleading locational signals, provides a more stable and predictable trigger, and is more practical given uncertainty around regional zoning and future SSEP alignment.

Several respondents typically accepted the case for national application as the more workable immediate option, but raised concerns that it could be too blunt, fail to reflect regional differences in oversubscription or system need, or risk discouraging projects in areas that are less constrained or strategically valuable. Common caveats included calls for a hybrid model, regional weighting or exemptions, ongoing monitoring, clearer supporting evidence on national/regional/zonal oversubscription, or a future review once SSEP, TO/DNO feedback, and reinforcement needs are better understood.

Several respondents supported a regional approach. The reasons given were that oversubscription and its impacts are not uniform across the network, so a regional model would be more targeted and proportionate, better reflect locational system need and network constraints, and avoid imposing a blanket national signal on areas that are not materially oversubscribed. Respondents also said a regional approach would better align the mechanism with regional capacity quotas, connection cost-benefit considerations, curtailment reduction, grid resilience, and the actual locations where network investment pressures arise, while reducing the risk that projects in less constrained areas are unfairly penalised by oversubscription elsewhere.

A few respondents supported a regional approach with caveats or qualifications. These responses generally favoured stronger locational targeting but noted that a simple regional model could itself be too coarse, volatile or complex, particularly where regional pipelines are small, or future zoning may change under SSEP. Common caveats included support for a hybrid approach such as national activation with regional exemptions or weighting, a phased national-then-regional model, or moving to a more granular basis such as zonal, GSP-level or clustered regional application. Others said regional treatment should depend on better evidence, clearer thresholds, or input from TOs/DNOs, and that any regional framework should account for differences between Transmission and distribution-connected projects as well as varying reinforcement needs.

Timing of the OTCF from implementation or Gate 2 contract signature (whichever is sooner) up to project energisation

Several respondents fully agreed with the proposed timing. The main reasons given were that the OTCF should apply early enough to influence behaviour before speculative or weaker projects continue to shape network planning, helping to form a more credible connection queue at the point where studies, design decisions and investment assumptions are still being made. Respondents also said that applying the OTCF through to project energisation provides a clear, simple and robust endpoint, maintains incentives throughout the project lifecycle, and avoids creating gaming opportunities that could arise if the fee were disapplied at earlier construction-related milestones. Some also considered that viable projects progressing towards project energisation should be able to sustain the obligation, particularly where the security is refundable.

A similar number of respondents partially agreed with the proposed timing. These respondents generally supported the principle of applying the OTCF from implementation or Gate 2 signature and/or retaining it until project energisation, but argued that the approach should include transitional protections, timing adjustments or a more proportionate end point. Common caveats included delaying implementation until all Gate 2 Modification Offers have been issued and accepted or rejected, allowing for natural attrition and more informed Developer decisions, providing a grace period for existing Gate 2 Agreement holders, or considering whether the OTCF should fall away at an earlier milestone such as FID, construction start or M7 where there is already strong evidence of project commitment. Others supported the overall timing only if the fee level were scaled over time so that later-dated projects are not disproportionately burdened years ahead of project energisation.

Many respondents who disagreed with the proposed timing raised concerns focused on the view that the OTCF would be introduced too early and/or remain in place for too long, risking disproportionate impacts on otherwise viable projects before Developers have had sufficient time to assess Gate 2 outcomes, natural attrition, flexible connection options, wider reforms and market conditions. These respondents argued that implementation should occur only after all Gate 2 Modification Offers have been issued and accepted or rejected, often with a short grace period. A further theme was that applying the OTCF uniformly through to project energisation could unfairly burden smaller or later-dated projects, penalise Developers for delays outside their control, and increase financing costs without corresponding system benefit.

Applying the OTCF as a securities floor

Respondents who agreed that the OTCF should be applied as a securities floor felt it is a practical, fair and administratively simple mechanism that ensures a meaningful minimum level of commitment while avoiding the disproportionate burden that would arise from layering the OTCF on top of existing securities. Respondents also said it is more equitable across projects, because schemes already carrying high securities are not penalised further, while projects with low or zero securities are still required to demonstrate commitment. Several respondents added that the approach better aligns with the existing securities framework, can keep the obligation recoverable on project energisation, and provides a clearer way to send commitment signals without unnecessary duplication.

Respondents who partially agreed focused on the need for the floor to be properly calibrated, proportionate and evidence-based, rather than arbitrary; concern that it could unfairly penalise low-cost or low-securities projects such as bay-sharing, node-dependent or otherwise efficient connections; and calls for additional design features such as a project cap, a link to cancellation charge or liabilities rather than posted security, clearer interaction with PCF/cancellation charge arrangements, and more transparent rules for setting the floor.

Respondents who disagreed that the OTCF should be applied as a securities floor argued that it would be disproportionate and insufficiently targeted, particularly for projects with legitimately low existing securities such as bay-sharing, node-dependent or otherwise low-cost connections, which may be among the least harmful and most efficient projects in the connection queue. Several responses said a floor could therefore create perverse outcomes, distort competition, and place an undue balance-sheet or cash burden on smaller Developers without reflecting actual network cost, risk, or project

quality. Others considered that the existing securities regime is already sufficient, or that if any OTCF were introduced it should instead be structured as a liability floor, a more tailored mechanism, or a fixed one-off payment, so that it better aligns with cancellation charge methodology, project-specific exposure, and proportionality.

Level of the OTCF, including minimum and maximum levels if changing over time
Several respondents explicitly stated that the proposed level is too high, using terms such as "punitive", "excessive", "disproportionate", and similar. The main concerns highlighted include the figures feeling arbitrary and disproportionate, disadvantaging smaller or less well-capitalised Developers, reducing competition, and imposing significant financial burdens such as increased costs and the need for additional security. Respondents also noted that uniform escalation penalises both active and dormant projects, that the requirements could be unsustainable or anti-competitive, and that they may ultimately impact consumer bills. Suggestions include lowering the cap, adopting a more dynamic or ramping approach, and ensuring requirements are better reflected in the works required or tied to project progress.

Six respondents implied the level was too high with each respondent suggesting, directly or indirectly, that the proposed charge levels are excessive or disproportionate. Respondent's express concerns by advocating for significantly lower floors and caps, criticizing the complexity and risk of escalation, and highlighting that the charges could be out of proportion to objectives, unnecessarily costly, or anti-competitive. Some responses point to the lack of linkage to network costs, the inability for projects to secure bonds, and an undue burden that favours larger balance sheets. Others call for recalibration and further evidence, arguing that the current form is not sufficiently justified or proportionate, and proposing much lower caps as more appropriate. Across the board, these responses share the core view that the proposed charge structure is set at levels which are higher than necessary or reasonable.

A few respondents indicated that the proposed level was too low, each advocating for a higher minimum. One respondent preferred starting at the originally suggested £5k/MW, arguing that anything below this would not meaningfully address oversubscription and would merely postpone effectiveness by around six months. The other respondent strongly favoured an initial OTCF of £10k/MW, with a limit at £10k/MW or £1 million per project, believing that the current £3k/MW is inadequate for quickly filtering out unviable projects and that starting higher would streamline administration by removing the need for incremental increases.

OTCF should be applied to projects which co-locate an oversubscribed technology with another technology

Several respondents fully agreed. Their reasons centred on the need to avoid loopholes and circumvention, ensure consistent and fair treatment across different technologies and connection approaches, and apply oversubscription at the individual technology level—even if that renders certain combined projects unviable, as this would filter out non-viable schemes. They also stressed that BESS should be treated on par with other technologies due to their dual impact on Demand and generation, to prevent consumers facing higher costs. It was emphasised that co-location does not eliminate the broader impacts of oversubscription, as these effects persist across network capacity, project sequencing, and the ability to connect future users.

Several respondents generally supported applying the OTCF to co-located projects in principle, but only with clear, workable exemptions and clearer drafting to avoid disproportionate outcomes. The main caveats were that co-located schemes should be exempt (or adjusted) where the oversubscribed technology connects after the other technology and/or where adding it causes no (or negligible) additional network impact, typically evidenced by no additional Attributable Works and/or no additional connection costs—and that any such "minimal network impact" exemption must be applied consistently to standalone projects in the same circumstances. Several responses also asked for operational clarity (including worked examples) and tighter legal definitions on how capacity is attributed/apportioned in hybrids (e.g., charge only on the oversubscribed component, avoid double counting, and clarify shared-bay / metered-capacity rules), warned that overly complex rules could create inconsistent application across DNO/TO boundaries, and suggested potential thresholds/caps or proportional charging where small incremental costs arise, so that efficient co-location and projects that benefit the system are not unfairly penalised.

Many respondents disagreed, arguing that applying the OTCF to co-located projects would unfairly penalise efficient hybrid configurations that typically make better use of existing connection assets, reduce curtailment/constraint and wider consumer costs, and can be critical to the commercial viability of the non-oversubscribed technology (e.g., solar supported by an import-capable battery); several also said the proposal would further damage investor confidence given recent reforms, that co-located schemes often create little or no incremental connection queue/bay pressure or enabling works, and that adding exemptions would make the rules complex and inconsistently applied—reinforcing their view that OTCF is the wrong tool for these cases.

Some respondents felt the OTCF should only apply where the co-located oversubscribed technology creates material incremental network impact (e.g., additional

enabling/Attributable Works, reinforcement or meaningful system stress), and that co-located BESS should be treated differently where it shares existing infrastructure/TEC, connects as a secondary technology, or does not import from the grid (charge only if it charges/imports). Several respondents also pushed for metrics/thresholds tied to MW and reinforcement triggered (or proportionality), to avoid penalising efficient hybrids while still capturing cases that genuinely add network burden.

Across the responses, eight respondents agreed with the two conditions (i.e., supported applying OTCF to co-located projects provided the exemptions/conditions applied—typically: (1) the oversubscribed technology connects after the other technology, and/or (2) adding it has minimal network impact shown by no additional Attributable Works/connection costs, often alongside requests for consistent treatment and clearer drafting), while eight respondents disagreed with the two conditions (either opposing the idea of exemptions altogether as loophole-prone/gamable and inconsistent, or arguing the conditions were the wrong test/too restrictive and that co-location should instead be encouraged or assessed differently).

Should the OTCF apply as well as the PCF

Respondents who agreed that the OTCF should apply as well as the PCF generally considered the two mechanisms to be complementary rather than duplicative, because they address different issues at different stages of project development. The PCF is aimed primarily at project readiness and progression before planning/protection milestones, while the OTCF addresses system-level oversubscription once a technology connection queue is materially over-subscribed. A common reason given was that the two fees are unlikely to apply to the same project at the same time in practice, particularly for BESS, and that where overlap does occur, the proposed floor/ceiling-style interaction means there should be no double-counting or compounding of securities. Several respondents also said that allowing both mechanisms to operate provides a stronger overall commitment signal, supports earlier exit of non-viable projects, improves connection queue quality, and aligns project progression with wider system need.

Respondents who disagreed argued that applying both mechanisms risks duplication, unnecessary complexity and disproportionate financial burden, particularly if projects face overlapping commitment signals at a similar stage of development. A common theme was that the PCF already serves the core connection queue-discipline purpose or at least should be given more time to prove its effectiveness, so layering the OTCF on top was seen as redundant or insufficiently justified. Several respondents also raised concerns about stacking effects, administrative burden, unclear or untidy drafting, and

the risk that combined exposure could unfairly disadvantage smaller or independent Developers, create barriers to entry, or impose charges above the costs actually incurred to deliver projects. Some respondents therefore preferred a single unified mechanism, an explicit backstop so only one fee applies to any project, or stronger safeguards to prevent overlapping financial signals.

OTCF funds relating to a customer which does not go on to energise should be returned to consumers via TNUoS

Many respondents agreed that this is the most appropriate and consistent treatment, particularly because it aligns with the precedent set by the PCF, ensures that any retained funds deliver a consumer benefit, and reflects the principle that consumers ultimately bear the risk of inefficient network planning caused by oversubscription. Several respondents also said this approach avoids OTCF revenues being retained by NESO or network owners, helps preserve the character of the OTCF as a commitment mechanism rather than a revenue-raising tool, and provides a clear and administratively understandable destination for funds where a project exits without energising.

A few respondents disagreed and that, in at least some circumstances, the funds should instead be returned to the Developer, particularly where a project fails to energise for reasons outside the Developer's control such as force majeure or unsuccessful planning outcomes. These respondents argued that automatic forfeiture in such cases would be unfair, punitive and potentially distort investment decisions, and one response added that returning the security to the applicant could itself create a stronger incentive to leave the connection queue voluntarily, which would better support the policy objective of reducing oversubscription.

NESO should have the option not to implement the OTCF if the activation threshold is breached

Many respondents agreed that this discretion would provide a sensible safeguard and useful flexibility in the event of unforeseen market, policy or system changes, helping to avoid automatic or disproportionate activation where oversubscription may be resolved through attrition or other interventions. Respondents also said the approach is appropriate because it is consistent with the PCF framework, allows NESO and Ofgem to take account of updated evidence and strategic context, and could prevent the OTCF from being applied in circumstances where doing so would be counterproductive to delivery or CP2030 objectives. A recurring theme was that any such discretion should be exercised transparently, with clear reasoning and, in many cases, Ofgem oversight or veto.

Respondents who disagreed argued that once the threshold is met, the OTCF should apply automatically to preserve predictability, credibility and connection queue-discipline incentives. They were concerned that discretion not to activate would introduce uncertainty, delay and weaker investment signals, encourage Developers to wait in the hope that the fee might not be triggered, and make the mechanism harder to administer and govern consistently. Some also argued that if any discretion is retained, it should be more tightly constrained, or sit with Ofgem rather than NESO, to avoid undermining transparency and confidence in how the trigger would operate.

Alternative Request 1 solution (Annex 05)
Several respondents supported the proposal because they considered it a more proportionate implementation approach, giving the market additional time after Gate 2 Modification Offers for natural attrition, commercial decision-making, and flexible, technical limits or non-firm connection options to be assessed before the fee takes effect. Respondents also said this later timing would provide greater clarity on connection dates, works and curtailment, reduce the risk of premature exits by otherwise viable projects, and allow the reformed connection queue to settle before stronger financial signals are applied. Several further noted that delaying implementation until closer to or after SSEP publication would provide a more informed basis for intervention and better reflect actual project viability, particularly for distribution-connected projects.

Respondents who did not support the Original solution said the alternative was preferable because the delayed implementation is more proportionate, gives more time for natural attrition, Gate 2 Modification Offers to be reviewed, and technical limits, flexible or non-firm connection options to emerge, and therefore reduces the risk of premature exit of viable projects. Some also said it would allow more time for market transactions, policy clarity and the reformed connection queue to settle before stronger financial signals are applied.

Many respondents disagreed with the solution as delaying implementation to March 2028 would be too late to have a meaningful effect on oversubscription, reducing the OTCF's ability to drive early attrition of unviable projects and weakening its intended connection queue-management benefits. Respondents also argued that further delay would prolong uncertainty for network planning and delivery, allow unnecessary or inefficient TO capital expenditure and network design work to proceed on the basis of an oversubscribed connection queue, and risk slowing progress towards CP2030 and other connection reform objectives. Some considered that the Original proposal already provided sufficient time following Gate 2 Modification Offers for projects to accept or

reject their positions, while others objected more fundamentally that the solution still retained the same underlying flaws as the Original solution.

Alternative Request 2 solution (Annex 05)
Several respondents fully agreed with the solution because they viewed it as a simpler, fairer and more proportionate approach than the Original proposal, with a modest one-off refundable fee that would still send a commitment signal without creating the escalating "pay-to-stay" pressure that many saw as anti-competitive. They also said it would be easier to administer, reduce risks for smaller or independent Developers, and allow the market time to test project viability while preserving a clearer route for viable projects to progress.

Respondents who did not support the Original proposal generally preferred this solution because it was seen as less distortive, less complex and less punitive than the Original proposal, even where they still had reservations about the OTCF in principle or about the calibration of the fee. Their comments indicate that the lower fixed fee and simpler design reduced some concerns around competition, runway compression, administrative burden and disproportionate impacts, although they did not regard the alternative as fully resolving the underlying issues.

Many respondents disagreed with the solution. The main reasons given were that the proposed £1.5k/MW one-off fee was too low and too weak to drive meaningful attrition from a heavily oversubscribed connection queue, and that once paid it could become a sunk cost that gives projects little incentive to exit thereafter. Several respondents also argued that the mechanism was too simplistic or insufficiently dynamic, lacking the escalation or stronger timing features needed to influence behaviour, while others said it remained flawed in principle because it still imposed an additional financial barrier that could distort competition, penalise viable projects, or fail to target oversubscription effectively.

Workgroup Consultation Alternative requests
Eight respondents proposed several potential alternatives:

- Exit Auction Mechanism
    - Instead of a "punish-to-thin" approach, NESO should facilitate an Exit Auction to reduce over capacity in particular technologies
- Transitional / advanced-project exemption approach
    - Exempt projects energising within two years from the OTCF,
    - Define "advanced stage" clearly,
    - Include transitional protections for progressed projects,

    - Allow an amnesty or opt-out window for some Gate 2 projects.
- Early TEC amnesty
    - Let projects withdraw earlier without cancellation charges,
    - Reduce unnecessary offer processing.
- Co-located technology alternative
    - Avoid penalising co-located projects,
    - Exempt projects with security of supply contracts.
- Modified OTCF design
    - Ramp securities as proposed but limit them at the maximum connection security liability,
    - Exempt projects in spatial energy planning zones where connection queue levels are at or below target.
- Technology-specific approach
    - Apply OTCF to BESS only, excluding other technologies.
- Alternative recovery mechanism
    - Retain the Proposer's solution but recover OTCF using a connection queue milestone / Financial Commitment Milestone (FCM)-style Capacity Market approach.
- Potential refinement option
    - A time-based scaler was mentioned as something that could be developed into an alternative.

Impact of CMP470 on the European Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code

Respondents who agreed that the modification does not impact EBR viewed CMP470 as a connections and connection queue-management measure, not a change to balancing-market rules. These respondents said the proposal is limited to connection securities, cancellation charges, and incentives for connection queue discipline, and does not alter balancing responsibilities, dispatch arrangements, settlement processes, market access rules, or the rights and obligations of balancing service providers under Article 18. In that view, the modification sits within the CUSC connections framework rather than the operational or contractual framework governed by the EBR, so any effect on balancing is either non-existent or too indirect to amount to an Article 18 impact.

Some respondents argued that CMP470 could impact EBR indirectly, mainly because of its potential effect on competition, market entry, and future balancing-market participation, especially for battery storage. These respondents argued that higher securities could create an undue financial barrier for new or capital-constrained entrants, reduce the number of viable BESS projects, and concentrate participation in

the hands of larger incumbents. In their view, even if Article 18 terms are not directly amended, the proposal could still undermine EBR objectives by distorting the future pool of balancing service providers, weakening competition and liquidity, and disadvantaging technologies that are important for flexible system balancing.

The NESO Representative acknowledged the arguments against CMP470 in these responses but confirmed they were not relevant to EBR Article 18 as it refers to the T&Cs for providing balancing services.

General Workgroup Consultation Comments

Respondents who were supportive generally said the proposal addresses a real and material problem of BESS oversubscription, which they felt is increasing consumer costs, distorting network planning, and delaying or crowding out projects that are more likely to progress. Supporters viewed a financial mechanism as a practical and comparatively proportionate way to improve connection queue quality, particularly when compared with more disruptive alternatives such as removing existing protections or revisiting signed positions. Some also considered the proposal to be quick to implement, relatively straightforward, and aligned with industry governance, while others welcomed it because it would create a stronger incentive for weaker or speculative projects to reassess their viability and exit the connection queue, thereby helping to create a more deliverable pipeline and improving connection outcomes for viable schemes.

Negative comments were more numerous and broader in scope. The most common concern was that the proposal is too blunt, punitive and insufficiently targeted, using access to capital as a proxy for project quality or viability and therefore risking the removal of viable but less well-capitalised projects rather than the least deliverable ones. Many respondents said this could have anti-competitive effects, favour large, vertically integrated or highly rated firms and drive consolidation at the expense of smaller and independent Developers. Others argued that the proposal lacks a sufficient evidence base, with too little quantification of whether the proposed fee levels would produce the desired attrition or whether oversubscription is being overstated. A further recurring theme was fairness and investor confidence, particularly where the mechanism would affect projects that have already signed Gate 2 Agreements or are already close to construction or project energisation, creating concerns about retrospectivity and changing the rules after investment decisions have been made. Respondents also raised concerns about timing and proportionality, including that the proposal may interact poorly with existing securities, fail to reflect project-specific network impacts, capture projects that are not truly problematic, or proceed before

other relevant reforms—such as bay sharing, wider connection queue management, SSEP, and better viability information—have been properly considered.

Respondent Modification Timeline Concerns
One respondent stated that the proposal's consultation period is too short, with only 22 working days from submission to the end of the Workgroup consultation—an approach typically reserved for urgent crises, not standard policy development. The respondent felt such a rushed timeline limits industry input and encourages poor policy outcomes by favouring those with the resources to respond quickly. This process risks narrowing perspectives and weakening code resilience against anticompetitive practices. Therefore, the proposal should be paused.

Post Workgroup Consultation Discussion

FES – Evidence of oversubscription
The Workgroup discussed the role of FES in evidencing the scale and nature of oversubscription within the connection queue, particularly for storage technologies.

Members noted that the FES demonstrates a material level of aggregate oversubscription, with the volume of projects in the connection queue significantly exceeding the (MW) capacity required to meet system needs across multiple scenarios. The FES was therefore viewed as providing strong contextual evidence that some degree of connection queue attrition is unavoidable, irrespective of the specific mechanism used to facilitate it.

It was emphasised that FES evidence is strategic and system-level in nature, highlighting total and regional (MW) capacity requirements rather than identifying individual projects that are unviable. Several members cautioned that while FES supports the conclusion that the connection queue is materially overstated, it cannot be used to determine which specific projects should exit, nor to categorise individual projects as viable or unviable.

The Workgroup also discussed that FES scenarios are inherently regional and locational, reflecting system needs by technology and geography rather than national averages. This was considered particularly relevant in discussions on whether the OTCF should apply nationally or regionally. Members noted, however, that this system-need perspective should be treated as contextual background rather than altering or re-interpreting Workgroup consultation question 10 that asked specifically for stakeholder views on whether (see consultation response summary on page 46).

Overall, the Workgroup agreed that FES scenarios usefully support the case for intervention by demonstrating the scale, persistence and geographic concentration of oversubscription, but do not in themselves provide project-level evidence or remove the need for an explicit policy mechanism to manage connection queue attrition.

TEC Amnesty Discussion

The Workgroup discussed the use of a TEC amnesty as a potential complementary measure to CMP470 rather than an alternative. Members noted that a TEC amnesty has previously been implemented with Ofgem agreement (rather than through a code modification) to allow projects to exit the connection queue without incurring cancellation charges and suggested that a similar approach could enable Developers who already intend to decline Gate 2 Modification Offers to exit earlier, thereby reducing unnecessary network design activity. It was emphasised that a TEC amnesty would primarily act as a timing mechanism, bringing forward exits that would otherwise occur at Gate 2, rather than materially changing Developer decisions.

However, members also highlighted that previous TEC amnesties delivered limited reductions in the connection queue (MW) volume and would be unlikely, on their own, to resolve the anticipated scale of oversubscription (~60GW for BESS).

The Workgroup also noted that projects have the option to not sign a Gate 2 Modification Offer when received without facing any cancellation charge and will have any security already placed returned. Hence a TEC amnesty is effectively already taking place, albeit over the period from April 2026 to April 2027 when Gate 2 Modification Offers from the (CMP435) G2tWQ application window fall due for signature. There will of course be a significant number of projects whose Gate 2 offers have already been accepted before it is known whether OTCF is implemented or what form it will take. These will not get the opportunity to avail of this “effective” TEC amnesty.

Accordingly, the Workgroup considered that a TEC amnesty may be beneficial if used as an alternative to or alongside CMP470, particularly where the existence of a future commitment fee, such as the OTCF provides an additional credible incentive for earlier exit, but noted that its administrative burden, effectiveness and implementation route would require further consideration by NESO and Ofgem. A Workgroup member expressed the opinion that the administrative burden of a TEC amnesty is likely to be significantly lower than that of CMP470.

Battery Energy Storage System (BESS) Data for Securities and Terminations Discussion (Annex 08)

Data on the current level of cancellation charges and securities for BESS, and data on historic terminations was requested by Workgroup members. A NESO SME explained that the data provides a snapshot of the BESS queue connection position at the point when the (CMP435) G2tWQ window opened, using the latest data available at that time. The data covers Transmission connected and embedded Bilateral Embedded Generation Agreement (BEGA)/Bilateral Exemptible Large License-exempt Generator Agreement (BELLA) projects only and includes BESS and co-located projects where a BESS element is present but excludes distribution-only connections and non-BESS technologies. Connection dates shown reflect those recorded in existing connection agreements at the snapshot point (summer 2024) and do not incorporate later updates, meaning they are indicative rather than reflective of likely delivery. The dataset includes projects with Gate 2 status at that time and excludes Gate 1 projects, with a small number of projects removed where no securities information was available. The NESO SME clarified that CMP447 impacts could not be separated out, so liability values should be treated with caution. The Workgroup also noted that it is likely some projects, particularly in Phase 2, may see very significant changes to securities, for example if they are planned to connect to a new substation. Importantly, the data showed that, since 2022, there have been no defaults on termination charges, with cancellations settled either through lodged securities or invoicing, which was intended to inform discussions on OTCF design and proportionality.

Workgroup members raised several questions about the securities data, which were later reviewed by NESO SMEs. Their responses provided the following information:

- **Current liabilities/current securities**
  - These refer to the levels payable in April 2026.
  - The values are based on the position at the securities freeze in July 2024.
  - The July 2024 value remains the project's current liability until the Gate 2 Offer is signed.
- **Maximum securities**
  - This figure is forward-looking only.
  - It reflects the maximum securities a project may face in the remainder of its lifecycle, not historically.
  - It may change depending on TO Costs.
  - Updated values will be communicated through the bi-annual process.
  - After trigger, securities are reduced in line with consents.

Workgroup members requested the following definitions to support their understanding of the data fields. These definitions were provided by the NESO SME in Workgroup 12.

	Definition	When it applies
Current Liabilities	*"Current Liabilities"* means the total cancellation charge payable by a User if the Relevant Connection Agreement(s) were terminated at the present time, based on forecast and actual transmission works costs and determined in accordance with the applicable Security Methodology.	At the present time (i.e. if the project were terminated now).
Current Securities	*"Current Securities"* means the amount of financial security required from a User at the present time, calculated as the applicable proportion of the Current Liabilities in accordance with the relevant Security Methodology and project status.	At the present time, reflecting the User's current security requirement.
Maximum Liabilities	*"Maximum Liabilities"* means the highest total cancellation charge that may become payable by a User under the Relevant Connection Agreement(s) at any point, based on forecast transmission works costs and determined in accordance with the applicable Security Methodology.	At any point during the project lifecycle, where liability exposure is highest.
Maximum Securities	*"Maximum Securities"* means the highest amount of financial security that may be required from a User at any point, calculated as the applicable proportion of the Maximum Liabilities in accordance with the relevant Security Methodology.	At any point during the project lifecycle, where the security requirement is highest.

Several members expressed concerns regarding the NESO data, noting that a significant number of projects are listed with connection dates before 2030, which are believed to be unrealistic. The NESO SME clarified that these dates represent what was recorded in the Connection Agreements at the time the snapshot was taken (in summer 2024). It was also acknowledged that these dates are subject to change and will likely be updated once revised Gate 2 information is submitted and processed. As a result, the dataset reflects historic contractual positions rather than accurate forecasts or validated delivery timelines.

In Workgroup 7, the Proposer presented analysis of the NESO data which had been provided. The Proposer's data analysis discussion focused on understanding the scope, assumptions, and limitations of the dataset provided by NESO to support decision-making. The Proposer confirmed that the data represents a partial but pragmatic view of the connection queue and indicative level of securities and liabilities faced by projects, intended to support high-level analysis rather than precise forecasting.

Several important caveats were highlighted affecting how the data should be interpreted. Members noted that connection dates and (MW) capacities may be unrealistic or outdated, particularly where they reflect historic agreement positions rather than current expectations. Concerns were raised about the absence of distribution-only connected assets and the inclusion of certain schemes (e.g. CMP447-related projects), meaning the dataset may not fully reflect the wider system or future impacts. Despite these limitations, it was agreed that the data could be used to estimate overall scale (e.g. total GW of projects) and to explore liability distributions, including requests for further breakdowns such as Phase 1 vs Phase 2 projects (which was later provided).

Importantly, the data indicated no recorded defaults on termination charges over the analysed period, which informed wider Workgroup discussions on the effectiveness of existing financial incentives and risk of non-payment. Overall, the Workgroup emphasised the need for clearer documentation of the dataset's methodology and definitions to ensure transparency and enable robust interpretation by members, which led to the descriptions shown in the table above being provided by NESO.

Following the Workgroup 7 discussion, the Proposer presented updated data analysis of NESO securities data, including both previously shared content and additional views requested by the Workgroup (**Annex 09**). The analysis compared distributions of securities across projects using both project count and MW-weighted perspectives and further segmented the data by project status (pre-trigger, post-trigger pre-planning, and post-trigger post-planning). It highlighted that distributions appear steeper when assessed by MW rather than by project count, indicating that larger projects tend to carry higher security values. Additional breakdowns were provided for energisation securities and for embedded (distribution connected) versus Transmission-connected projects, showing that embedded projects form a smaller proportion by (MW) capacity despite being a larger share by project count.

The following table shows the battery project count and GW falling within each of the proposed OTCF increments (£3k/MW, £5k/MW and then £5k/MW increments up to

£25k/MW). The proposed noted that this illustrates the volume of projects with zero or low securities currently.

Security Range	Project Count	Approx. Project Capacity (GW)	Proportion of projects	Cumulative proportion of projects	Proportion of Capacity	Cumulative proportion of capacity
Zero	99	28.3	21.5%	21.5%	27.7%	27.7%
£0k/MW to £3k/MW	255	62.2	55.3%	76.8%	61.0%	88.7%
£3k/MW to £5k/MW	41	5.7	8.9%	85.7%	5.6%	94.3%
£5k/MW to £10k/MW	28	3.3	6.1%	91.8%	3.2%	97.5%
£10k/MW to £15k/MW	17	0.9	3.7%	95.4%	0.8%	98.3%
£15k/MW to £20k/MW	13	1.1	2.8%	98.3%	1.0%	99.4%
£20k/MW to £25k/MW	4	0.5	0.9%	99.1%	0.4%	99.8%
>£25k/MW	4	0.2	0.9%	100.0%	0.2%	100.0%
Total	461	102.1	-	-	-	-

The Proposer also noted that the proposed starting value of £3k/MW falls at around the upper quartile of current securities, meaning three quarters of projects would see an increase in securities if the OTCF were introduced, while the £25k/MW maximum value falls at around the 90th percentile of the final securities for all projects, in their view corroborating that the levels were set appropriately.

There is, as expected, a significant delta between current securities and liabilities between phases, with Phase 1 (2026-2030 connections) much higher as projects are further progressed than Phase 2 (2031-2035 connections). However, there is a less significant delta between maximum securities and liabilities between phases. The mean for Phase 2 maximum liabilities (~£80k/MW) is ~70% above that for Phase 1 (~£50k/MW), but this is heavily driven by two outliers in Phase 2 (two projects in particular show maximum liabilities over £1.5m/MW). The median for Phase 2 and Phase 1 maximum liabilities are broadly in line, as are the distributions. However, the Workgroup noted that this may change when Phase 2 Gate 2 Modification Offers are issued, which may include

higher liabilities than Phase 1 as Phase 2 projects are more likely to connect to new substations than Phase 1 projects.

More detail is presented in the Proposer's analysis in **Annex 09**.

Staged and Co-Located Projects under OTCF

Workgroup members discussed the treatment of staged and co-located projects under the OTCF with differing views on how to appropriately apply the fee.

For staged projects, the Proposer's approach was to apply the OTCF only to the (MW) capacity not yet energised, reducing exposure as stages are completed. Members agreed this broadly reflected project risk progression, but raised concerns about potential unintended consequences, including scenarios where a Developer may wish to cancel a later stage but faces limited flexibility or additional cost exposure, potentially incentivising full project withdrawal.

For co-located projects, significant Workgroup debate centred on whether a carve-out was justified where there are minimal or no Attributable Works or connection costs. Some Workgroup members argued that such projects have limited direct network impact and therefore should be exempt, while network representatives emphasised that all (MW) capacity allocation has system-wide implications, potentially affecting later users and accelerating network constraints. The Workgroup identified that further evidence was required, particularly from network operators, to clarify the extent of system impacts and inform whether any carve-out for co-located or staged configurations would be appropriate within the solution of the modification. Some further insight was provided by NESO SME's (four paragraphs below), but the Workgroup was unable to compile a substantive evidence-base in the time available. Although some evidence (megawatts of hybrid projects) was produced in Workgroup meeting 13 (see table on page 43), several Workgroup members felt they had not been supplied with sufficient evidence to fully address the premise that co-located projects add costs to the network.

In Workgroup 8, following a presentation on the pros and cons of alternative request 8[38], to include co-located projects within the scope of the OTCF, an extensive discussion was held on the treatment of co-located and hybrid projects. This was primarily in the context of whether battery components within such configurations materially impact the network and should therefore be subject to the OTCF.

[38] Put forward by NESO.

Members debated the extent to which co-located batteries (with other technologies) contribute to local versus wider network reinforcement, with some arguing that, particularly in solar-plus-battery configurations, batteries may have limited impact at peak generation times, while others highlighted scenarios where batteries could contribute to system stress at, for example, those peak times, depending on location and operating assumptions. There was also discussion on distinctions between different types of co-location (e.g. import/export versus export-only configurations, and relative (MW) capacity sizing of the technologies) and whether these should be treated differently. A key theme was uncertainty around current NESO modelling approaches, with members requesting clearer evidence on how batteries and battery/co-location are represented in connection studies and whether they influence wider works. Some members considered that existing rules on Attributable Works already capture network impacts, questioning therefore whether additional charges are justified for co-located projects.

A NESO SME explained that NESO does not apply a single, fixed approach to modelling BESS in connection studies; instead, modelling varies depending on the context and is driven by economic dispatch assumptions and system conditions. Under the accelerated storage programme, batteries may be assumed not to exacerbate network constraints, supported by contractual protections, whereas for standard (firm) connection studies this assumption is not applied. Instead, NESO uses an economic model to simulate likely generation dispatch and identify "onerous" system conditions, with BESS behaviour determined by market-driven outcomes rather than preset outputs. This means batteries may or may not contribute to constraints depending on regional generation mix, Demand, and timing. In addition, modelling considers multiple network impacts beyond thermal flows, including fault levels and loss of infeed, ensuring BESS contributions are assessed even where dispatch is assumed low. Overall, the NESO SME summarised that the approach is scenario-based and location-dependent, reflecting regional characteristics and evolving system conditions rather than applying uniform rules across all connections.

Application to co-located projects which do not meet the exemption criteria and where multiple OTCFs are in force

Terms of reference (f) considers how the OTCF should apply to a co-located project where both technologies are themselves subject to an OTCF.

The Proposer outlined two potential options:

Option 1: Only the higher OTCF applies; or
Option 2: The second OTCF applies to the lower of:

- Installed (MW) capacity of the second technology or
- TEC (MW) minus installed (MW) capacity of the first technology.

The Proposer explained that Option 2 ensures that the second technology faces an OTCF, but that the multiple £/MW OTCF levels (for the single co-located project) only apply up to capacity up to TEC for the project.

The Proposer noted a preference for the first option on the basis of simplicity and the low likelihood of such scenarios arising. Workgroup members challenged this on proportionality grounds, with some suggesting that all the (MW) level of TEC associated with the particular project should be considered and therefore favouring the second approach or similar mechanisms that better reflect total (MW) capacity of the co-located project.

Workgroup members agreed it is important to ensure the solution is robust for future scenarios involving multiple co-located technologies, with agreement that the legal text should be capable of generalising beyond two (or more) oversubscribed technologies (each, potentially, with a different level of OTCF).

The Proposer ultimately decided to include Option 1 within the Original solution.

Original Solution Update

Note – the updates described here have already been incorporated into the description of the solution starting on Page 10.

The Proposer delivered an update on the CMP470 Original solution in Workgroup 6, concentrating on enhancing the OTCF activation method and the management of advancing projects. The main change proposed is to adjust the activation timing: instead of waiting for all offers from the first (CMP434) Gated Application Window to be either signed or lapsed, OTCF activation would now take place once all (CMP434) G2tWQ offers are signed or lapsed, and projects from the first (CMP434) Gated Application Window have been assigned either Gate 1 or Gate 2 status. This approach aims to prevent unnecessary delays stretching into 2028 while still effectively addressing uncertainties related to Gate 2 to Whole Queue attrition.

The Proposer noted that this method might slightly overstate oversubscription at the point of (OTCF) activation. However, in doing so it would reduce the likelihood of an OTCF

increment later. They also clarified the application of OTCF to staged connections: OTCF would apply only to parts of a project that are not yet energised, and the liability would decrease as each stage is brought online.

In Workgroup 10 the Proposer presented a further refinement to the OTCF approach explaining that under the current drafting the fee is applied as an addition to both cancellation charges and securities, increasing both the liability and the secured amount. They outlined an alternative approach whereby the cancellation charge would remain unchanged if it is already above the defined floor, and only the secured amount would be increased to reach that floor. This refinement is intended to avoid unnecessarily inflating liabilities while still ensuring an appropriate level of financial commitment is secured. They demonstrated the impact of both approaches through worked examples across different project stages (pre- and post-trigger), highlighting that the refinement would simplify outcomes and better align with the objective of providing a proportionate commitment signal. They also noted that this would require targeted amendments to the legal text but not a fundamental redrafting of the OTCF approach. The interaction between the securities floor and cancellation charge can be found in **Annex 10.**

Inclusion of Demand in CMP470 Legal Text

The Workgroup discussed whether Demand should be included within the scope of CMP470, and thus be subject, if oversubscribed, to the OTCF (and this be reflected in the legal text). Several members supported explicitly excluding Demand, noting that current policy frameworks treat Demand differently from generation, that there is no defined (MW) quota mechanism for Demand at present, and that significant policy development is ongoing, creating a risk of unintended consequences if Demand were included prematurely (within the scope of CMP470). A member also highlighted that Demand is subject to different charging arrangements and may not align with the underlying rationale of managing oversubscription of generation (MW) capacity.

Some members noted that if (MW) quota-based mechanisms for Demand were introduced in the future, there could be a case for inclusion (of Demand into the scope of the OTCF) at that time to ensure consistency and avoid differential treatment. The Workgroup also considered potential complexities for co-located sites involving both Demand (MW) capacity and generation (MW) capacity. Most members agreed that Demand should be excluded from the CMP470 scope based on policy uncertainty and differing market characteristics, while acknowledging that this position could be revisited in future modifications as Demand-side reforms develop.

The Proposer confirmed that Demand was not within the scope of CMP470 Original solution, and this is reflected in the legal text.

Quantifying sums involved from the industry for the OTCF

Start Value

Range of current securities (as per NESO data)	Project Count	Capacity (MW)	OTCF Addition (£/kW)	OTCF Addition (£k)
Zero	**99**	**28,300**	**£3k/MW**	**84,900**
£0-1k/MW	**147**	**44,350**	**£2-3k/MW**	**121,322**
£1-2k/MW	**60**	**11,175**	**£1-2k/MW**	**18,417**
£2-3k/MW	**48**	**6,700**	**£0-1k/MW**	**3,959**
>£3k/MW	**107**	**11,525**	**Zero**	**0**
Total	**461**	**102,050**		**228,598**

The Proposer presented the following information based on securities data from NESO and the proposed (CMP470 Original solution) starting value of £3k/MW, where the total OTCF securities (to be applied to all relevant projects) would be ~£230m.

The Proposer believed this is likely to be an overestimate, as it is based on July 2024 securities and does not reflect subsequent project progression, including schemes moving further along their S-curve or reaching trigger dates. In addition, some projects currently in the (CMP435) Gate 2 to Whole Queue are likely to exit before the OTCF comes into effect, for example because they (i) will have energised, (ii) will not sign Gate 2 Modification Offers, or, in a smaller number of cases, (iii) will qualify for the co-location exemption.

Maximum Value

The Proposer explained that applying the same method simplistically to the OTCF maximum value would suggest a total of £2.4 billion, but this is likely to be a significant overestimate. The maximum value would only be reached after four increments and,

even in a worst-case scenario where oversubscription reduces by less than 25% between each securities statement, this would not occur until October 2029.

By that point, significant volumes of BESS projects are expected to have connected, likely including all the 2026–27 protected cohort, estimated at around 15GW based on the pre-connections reform TEC register. In addition, the remaining connection queue would have progressed further along their S-curves, with Phase 1 projects likely to be close to their maximum securities levels and early Phase 2 projects beginning to reach trigger dates.

Reaching the maximum value would also imply that there had been limited reduction in oversubscription, which in turn would likely mean that projects with high attributable works, such as those connecting to new TO substations, remain in the connection queue. In those circumstances, Attributable Works securities for such projects would also be increasing, which would further reduce the scale of any OTCF cost. Overall, the Proposer felt the position is difficult to quantify accurately based on the data currently available. Some Workgroup members highlighted that the figures provided by the Proposer did not include the total cost of the OTCF. Users would need to finance the OTCF with many Users borrowing money using either unsecured or secured lending facilities. The cost of financing the OTCF could be 8%-20% per year, and this would add a significant cost to the OTCF total cost. For example, a OTCF of £400,00 financed at 10% for 5 years would cost a total of £644,204, with the £244,204 of interest costs not refundable to the User.

CMP470 Timeline Extension Discussion

The Workgroup discussed the need for a short timeline extension, noting that although significant progress had been made, there remained substantial work to complete their task, particularly in finalising and reviewing the legal text for the Original proposal and multiple WACMs, as well as closing outstanding actions and evidencing the terms of reference.

Although one member suggested that the existing timeline could potentially be met with extended sessions and intensive effort, most of the discussion favoured a modest extension to ensure sufficient time to produce robust, fully developed legal text and avoid the risk of errors. Members also noted that the urgency of the timeline was linked to expected issuance of Gate 2 Phase 1 offers, but there was uncertainty over when these would occur, suggesting that a short delay may not materially impact overall timelines.

As a result, the Workgroup indicated support for an extension (of around one to two weeks), with the Chair agreeing to take a proposed revised timeline to Panel, balancing the need for thoroughness against the initial urgency of the modification.

In Workgroup 9, NESO when questioned were comfortable with the two-week delay to the timelines for CMP470 and confirmed that currently the (CMP435) Gate 2 Modification Offer issuing is still as per their published timelines. The Workgroup (and the Proposer) supported requesting a two-week time extension (for the delivery of the Workgroup Report) of the CUSC Panel (meeting on 22 May 2026) subject to Ofgem approval (of that change to the timeline).

The CUSC Panel considered the Workgroup Timeline Extension request to Ofgem at its meeting on 22 May 2026. Subsequently Ofgem approved that request and the Workgroup and CUSC Panel proceeded accordingly.

Ofgem agreement regarding the timetable for issuing connection offers under the G2tWQ process[39]

In Workgroup 12 Ofgem's decision (the day before) on its agreement on the timetable for issuing connection offers under the (CMP435) G2tWQ process was discussed to determine whether it had any material impact on CMP470 and therefore required consideration in the Workgroup Report.

The initial view presented was that the Ofgem decision was unlikely to be directly relevant, as it primarily related to the timing of connection offers rather than the policy intent of the OTCF. However, Workgroup members explored whether the decision could have indirect implications, particularly where revised deadlines might affect the sequencing of Phase 1 and Phase 2 offers or the treatment of co-located projects.

During the discussion, some Workgroup members highlighted that the Ofgem decision appeared to extend certain deadlines compared to previously published timelines, while others Workgroup members clarified that these changes were largely contingency provisions and did not alter the current baseline programme. This was subsequently confirmed, with clarification that the published NESO timelines remain unchanged and that any reference (in the Ofgem decision) to later dates reflects contingency flexibility rather than a committed shift in delivery.

[39] Ofgem agreement regarding the timetable for issuing connection offers under the Gate 2 to Whole Queue process

The Workgroup also considered whether any reference to the decision should be included in the Workgroup Report. While acknowledging that the Ofgem decision is relevant in a broader the connection queue context, the prevailing Workgroup view was that it does not materially affect CMP470.

Discussion of a possible Alternative Request with Ofgem discretion to deactivate at any time

The Workgroup discussion centred on a proposal to introduce a provision allowing Ofgem to deactivate the OTCF at any time, rather than them only having a veto when the OTCF is activated or increased. This was raised as a potential alternative request, with the intention of providing greater flexibility to respond to uncertainty, future policy changes, or unintended consequences arising from CMP470.

The Authority representative explained that the rationale for this potential alternative request was rooted in the complexity of the reform and the risk of unintended outcomes, particularly given evolving policy developments and the limitations of available data at the point of decision making. They emphasised the benefit of having a mechanism to intervene quickly without needing a full code modification process, arguing that this could improve confidence in the proposal by ensuring that issues could be addressed in a timely and agile way[40], if they emerged post-implementation.

However, significant concerns were raised by Workgroup members about both the principle and the process of introducing such a provision. A key theme was the potential precedent of allowing a broad, discretionary "override" within the CUSC framework. Workgroup members questioned whether it was appropriate for Ofgem to have the ability to change or disable an approved mechanism without going through the established governance and modification process (including stakeholder consultation), noting that other parts of the Code do not include equivalent powers. There were also concerns that such a provision could undermine certainty for market participants, particularly those relying on the OTCF signals for investment and decision making, as it could be removed or altered with limited notice.

From a process perspective, there was detailed discussion about how such an alternative would need to be progressed. It was clarified that introducing this provision would not be a minor amendment but would require multiple new WACMs, effectively duplicating the Original proposal and each existing WACM with the additional clause

[40] A Workgroup member noted that (if required) any future modification could be progressed urgently (possibly in days) if necessary to, in this example, reduce or deactivate the OTCF.

included. This raised practical concerns about timelines, complexity, and the proportionality of pursuing the change at this late stage. Alternative routes were also highlighted, including the possibility of Ofgem requesting a separate, standalone modification in the future if the need for such a power became clearer after implementation.

The Workgroup members also explored whether there were ways to narrow or condition the proposed deactivation power, for example by defining specific circumstances for its use. However, it was clarified that the intention was for a broad, "blanket" power rather than a targeted mechanism, which reinforced concerns about governance and proportionality. Some Workgroup members suggested that a more transparent or structured approach, such as a separate modification or an urgent code change process, would be preferable to embedding such discretion directly in the legal text.

An indicative vote was taken to gauge support within the Workgroup. While some members supported progressing the option to provide Ofgem with a range of choices, the majority of those present did not support taking the potential alternative request forward. Workgroup members were nonetheless invited to bring forward a formal alternative request if they wished. No such request was received. The Chair therefore concluded that, based on the discussion and level of support, the Workgroup would proceed without incorporating the option for Ofgem to deactivate at any time.

What are the immediate and wider effects of this modification?

In assessing the modification against the "benefits for society as a whole" category, the Proposer considered its impact to be neutral. However, several Workgroup members disagreed and considered the impact to be negative. These Workgroup members felt that the modification could reduce competition and, due to its retrospective nature, undermine both domestic and international investor confidence in the UK. In their view, this could reduce the UK's attractiveness for investment, increase the cost of Government debt, and ultimately be detrimental to society. The Workgroup member also noted that Governments have historically sought to provide certainty to investors, citing the decision not to apply retrospective changes to feed-in tariffs.

Alternative Requests

Following the Workgroup Consultation members reviewed the five Alternative Requests which had been submitted by Workgroup members or consultation respondents.

The Workgroup reviewed all of these Alternative Requests, as follows.

Alternative Request 1 – Alternative Implementation Date – Root Power

Overview: Proposes to delay the start date (the point at which the OTCF becomes payable) in the following manner:

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

Workgroup discussion: Some members considered it could reduce premature attrition, improve proportionality and provide greater clarity for Developers by allowing more time for projects to progress before exposure to the fee. However, a larger number of Workgroup consultation respondents and Workgroup members expressed concern that delaying implementation would defer action on oversubscription, prolong uncertainty and reduce the effectiveness of connection queue management. More detailed feedback can be found on page 61 as this was included in the Workgroup consultation. The Workgroup considered this request and concluded by majority not to progress this request.

Alternative Request 2 – Alternative Fixed One-Off Security - Firstway Energy

Overview:

1. Single one-off payment applicable to all Gate 2 BESS projects regardless of being in the oversubscribed connection queue;
2. Set at £1.5k/MW applicable to all Gate 2 projects regardless of being in the oversubscribed connection queue;
3. The fee becomes payable 9 months from acceptance of Gate 2 grid offer, applicable to all projects; and
4. Fully refundable on project energisation.

Workgroup discussion: Members acknowledged that this approach could reduce perceived anti-competitive impacts and improve transparency. However, many Workgroup consultation respondents and members questioned whether the proposed level would provide a sufficiently strong incentive for unviable projects to exit the connection queue. Discussion highlighted that a significant proportion of objections again reflected general opposition to pay-to-stay mechanisms rather than specific flaws in the alternative, and that several respondents supported the structure in principle but considered the value too low. The alternative Proposer indicated further development might be required before Workgroup consideration of a vote. The

Workgroup considered this and concluded by majority not to progress this request. Detailed feedback can be found on page 62 as this was included in the Workgroup consultation.

Alternative Request 3 – The 'Exit Auction' mechanism – Windline (Cairnbeg) Ltd
Overview: Instead of a "punish-to-thin" approach, NESO should facilitate an Exit Auction to reduce over capacity in particular technologies. This would allow for a more efficient reallocation of capacity:
1. Voluntary Exit: Developers could bid a "strike price" to vacate their position.
2. Least Cost to Consumer: By paying Developers to exit, NESO ensures that only those who value their connection the least (i.e., the least viable projects) leave the connection queue first.
3. Preservation of Investment Signal: This treats capacity as a valuable asset and respects the development spend already committed by the industry, maintaining the UK's reputation as a stable environment for energy investment.

Workgroup discussion: This alternative request, which was submitted by a non-CUSC party and therefore not eligible for adoption unless taken up by a CUSC party; proposed an auction mechanism whereby Developers could bid to exit the connection queue. Workgroup members broadly considered this to be a fundamentally different approach to connections management rather than a viable alternative to CMP470. Key concerns included who would fund exit payments, the risk of consumer detriment, administrative complexity, scope for gaming, and the creation of a secondary market in connection queue positions. Members also questioned claims that this approach would reduce legal risk. While some acknowledged it as innovative, there was no support expressed for progressing it further within CMP470.

Alternative Request 4 – Minor changes in how the OTCF value increments after activation – Lightsource bp
Overview:

- <25% oversubscription – OTCF increments downwards towards £0/MW (e.g. £5k/MW to £3k/MW).
- 25% to 50% oversubscription – OTCF value is unchanged.
- >50% oversubscription – OTCF increments upwards towards the maximum (e.g. £5k/MW to £10k/MW).

Workgroup discussion: The alternative Proposer explained this request was intended to avoid "cliff-edge" behaviour and strategic holding out by Developers. Members broadly acknowledged the logic of the approach but expressed concern that it could entrench

outcomes based on financial resilience and prolong exposure for projects even once oversubscription had materially reduced. It was clarified that the Original proposal would fully deactivate the OTCF immediately once oversubscription fell below the lower threshold, addressing some of the concerns raised in the request. The alternative Proposer agreed to clarify differences with the Original solution before any decision on progressing this alternative request. The Workgroup considered this and concluded by majority not to progress this request.

Alternative Request 5 – OTCF Limit– OnPath Energy

Overview: This alternative request would limit the OTCF at a value equal to the maximum security a project would be required to post at any point ahead of the project energisation date. The OTCF would ramp up at the same rate as in the Original proposal, with the same frequency. However, on a project-by-project basis the OTCF would be limited at a set value according to each project's security liability profile.

Workgroup discussion: The Workgroup discussion focussed on introducing a limit to the overall exposure of projects to the OTCF, with the intent of aligning the fee with the maximum security levels associated with a project. The Workgroup clarified that the limit should refer specifically to "maximum posted security" rather than "security liability" to avoid confusion between liability and secured amounts. This refinement was important given prior discussions on the distinction between liabilities and securities. This alternative request was generally seen by some Workgroup members as a pragmatic way to provide cost certainty and prevent excessive financial exposure, while still maintaining an incentive for projects to exit the connection queue where appropriate. Ultimately, this request was supported by a majority of the Workgroup and progressed as a Workgroup Alternative CUSC Modification (**WACM1**).

Alternative Request 6 – User Progression Milestone M8 (Project Construction) - Zenobe

Overview: The alternative request is that the OTCF will be disapplied to projects where they have met all User Progression Milestones up to and including M8 (Project Construction).

Workgroup discussion: The Workgroup debated whether the OTCF should cease at project energisation (as in the Original proposal) or where they have met User Progression Milestones up to and including M8 (start of construction). The Proposer of the alternative request argued that continuing the fee until project energisation unfairly penalises larger or more complex projects, which have longer build times and may face

delays outside their control (e.g. outages, testing, or network issues). Supporters emphasised that by M7 and M8, projects have already demonstrated commitment through financial investment and construction activity and therefore should not incur further OTCF costs. This will place unnecessary costs onto projects that have met their milestones and dealt with the issues identified under the prospers solution and will result in extra costs to consumers via other revenue streams such as Capacity Market. However, some concerns were raised about the subjectivity of M8 and the risk of inconsistent interpretation or potential gaming. Despite these concerns, there was broad support that tying the end of the OTCF to demonstrated progress better aligns with the (CMP470) defect's aim of removing unviable projects rather than penalising projects already under construction. This alternative request also secured majority support from the Workgroup and was taken forward (as **WACM2**).

Alternative Request 7 – Liabilities Floor – Enso Energy

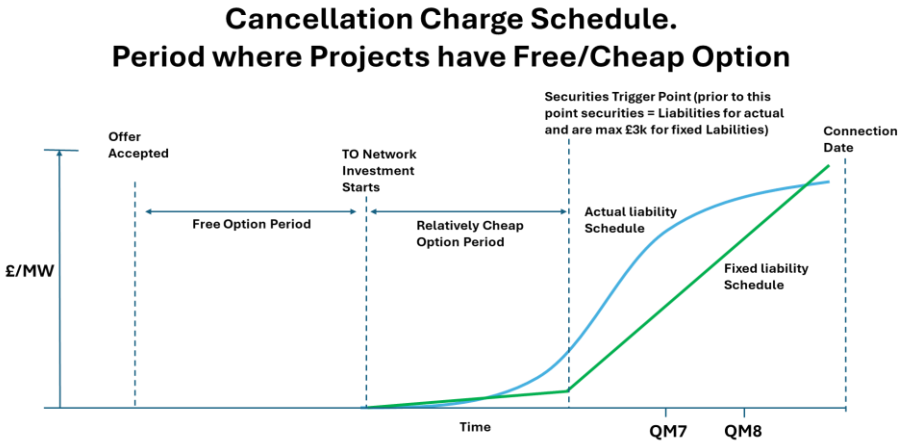
Overview: This alternative request differs from the Original solution under 3 criteria

1. The OTCF commences at a value of £2k/MW with increments of £2k/MW at each 6 monthly charging blocks if oversubscription has fallen by less than 25%, up to a maximum of £8k/MW.
2. The OTCF value is a floor on the project liabilities (securities are calculated from the liabilities value as per the existing CUSC methodology)
    - Where Developers have specified fixed cancellation charges in their BCA's, the OTCF will be calculated using the CUSC securities formula from a floor to the pre trigger amount. Post the trigger date, the floor will be applied to the sum of the fixed attributable cancellation charge and wider cancelation charge (the cancellation charge); or
    - Where Developers have specified an actual cancellation charge in their BCA's, the OTCF will be calculated using the CUSC securities formula from a floor to the cancellation charge in force in any relevant period.
    - Note the floor relates to the cancellation charge. The value of securities to be posted is calculated using the existing CSC securities methodology.
3. The OTCF finishes when the User has met connection User Progression[41] Milestone (M8)

The alternative Proposer argued that the main reason that projects would stay in the connection queue is if they have significant periods of free or low option costs in doing so. For most projects, when they approach the cancellation charge trigger date, they are burdened with considerable cancellation charges and unless they are serious about

[41] As set out on pages 2-5 of CUSC Section 16.

constructing and connecting their project, they are likely to cancel prior to that point. It is during these periods that, if the OTCF is greater than the option value of remaining in the connection queue with a negative Net Present Value (NPV), that most projects, and all those behaving rationally, will exit that queue.



The alternative request Proposer argued that the OTCF value in alternative request 7 was more appropriate as the value was based on the analysis undertaken by NESO in its justification for the value of the PCF endorsed by Ofgem and implemented as CUSC modification CMP448.

This analysis tried to identify that, when a project in some period before connection identified that its NPV was slightly negative, what the maximum additional cost risk it would bare before it decided that the additional cost risk was too great to continue to develop the project. The request Proposer felt this is exactly the analysis and decision process that a Developer will go through in assessing whether to progress a project in an oversubscribed CP30 technology. They felt, whilst imperfect, it tried to apply some quantitative analysis to the issue. By applying a value that was generally of the right magnitude to drive the behaviour intended, it would achieve the right outcome without forcing Developers to take on unnecessarily liabilities and securities which would effectively translate into an inefficient use of funds and uneconomically sterilise working capital. This would ultimately lead to greater costs to end consumers. The alternative request Proposer argued that the value of the OTCF in the Original proposal was set to be deliberately penal and did not demonstrate any appropriate economic rational. As

such it would lead to Developers with the deepest pockets, rather than the best projects having their projects being built.

The request Proposer also felt that M8 was a better end point for the OTCF than the point at which the project commissioned.

By M8 the officers of the company have made a formal commitment that they have taken FID (M7) and that they have commenced construction (M8). This would entail the securing of both debt and equity and signing construction contracts. Coupled with this, most projects will be incurring existing liabilities related to their existing cancellation charges. Therefore, it is highly unlikely that they will cancel the project at this point.

There is also (the request Proposer felt) concern that the date of commissioning is a very uncertain point in time. Planned commissioning outages are often cancelled due to network operation necessities. A trend that is only likely to increase as the system tries to connect capacity at 6 times the rate that it currently does, coupled with the need to accommodate a significant number of Accelerated Strategic Transmission Investment (ASTI) projects as well as maintain maintenance outages on existing, aging equipment. Therefore, it seems perverse to oblige Developers to maintain the OTCF and its associated financing costs for a commissioning date the Developer has little to no control over.

Workgroup discussion: Workgroup members generally agreed that this alternative request better targets speculative or low-commitment projects by introducing a meaningful minimum liability, thereby prompting a greater proportion of the connection queue to actively reassess their position. Several Workgroup members noted that the proposed ~£2k/MW floor would increase costs for a significant share of projects, creating a proportionate incentive without being excessively punitive, and was viewed as more closely aligned to behavioural drivers (i.e. decision-making based on project viability rather than comparative position in the connection queue).

Members requested further detail to understand how the "top-up" mechanism would operate in practice, particularly across different project stages and over time as the OTCF escalates. (which the Proposer has added into the description of this alternative request) There was also debate over whether this alternative request sufficiently targets the intended projects, with some members suggesting it primarily impacts low- or zero-security projects, while others questioned whether financially robust Developers would be materially influenced by the proposed levels.

Some Workgroup members emphasised that the mechanism should incentivise economically rational exit from the connection queue (as this alternative request intends), whereas others argued that testing Developers' financial capability—particularly for smaller or speculative projects—may be equally important. There were also concerns about proportionality, including the potential for cumulative cost impacts across portfolios although it was recognised that alternative 8 reduced this impact considerably in relation to the Original solution. Some Workgroup members agreed, applying the charge beyond key commitment milestones (e.g. M8), as proposed to the point the project commissioned, would be unnecessarily burdensome.

The Workgroup recognised that this alternative request represents a credible and evidence-based approach, supported by previous PCF analysis, and agreed it could merit further development. This resulted in the alternative receiving majority support to progress as a Workgroup Alternative CUSC Modification (**WACM3**).

Alternative Request 8 - Include Co-located projects within scope of the OTCF - NESO
Overview: The Original proposal would exclude oversubscribed technologies in co-located projects where:

- The oversubscribed technology connects after the co-located technology
- No increase in TEC when oversubscribed technology is added
- Attributable works + connections costs is less than £250k

This alternative request proposes that this would not apply and there would be no exemptions to the OTCF.

Workgroup discussion: The Workgroup discussion focused on whether hybrid technologies should be treated consistently with standalone projects, with the alternative request Proposer arguing that inclusion would ensure alignment with wider policy frameworks, avoid preferential treatment, and better support connection queue management objectives by maintaining incentives for non-progressing projects to exit.

However, several members raised concerns regarding the evidential basis for this alternative request, particularly the lack of quantitative data on the scale of affected projects and the uncertainty around the extent to which hybrid configurations drive network impacts, including whether batteries contribute to wider reinforcement requirements under current modelling approaches. There was also debate as to whether some arguments presented extended beyond the scope of the CMP470 modification, and whether the issue was materially significant given that the exemption in the Original proposal may apply to a relatively small subset of projects. The NESO SME provided partial clarification on modelling approaches, but it was acknowledged that

impacts are scenario-dependent and not fully resolved. Several Workgroup members recognised that this alternative request represents a policy choice between targeted exemption and full inclusion of hybrid technologies, and, despite outstanding questions were happy to proceed to the alternative vote. This alternative request was subsequently supported by a majority vote and taken forward (as **WACM4)** for further development, with requests for additional evidence and clarification to inform its progression.

Alternative Request 9 – Two-Stage OTCF Proportionate Treatment of Post 2030 Projects

Overview: This Alternative Request proposes:

1. A two-stage Oversubscribed Technologies Commitment Fee (OTCF) structure based on the project connection date, with a lower far-term OTCF rate for pre Trigger Date
2. A limit preventing the OTCF from exceeding the project's maximum Cancelation Charge Secured Amount at each biannual securities statement (as in WACM1).
3. The OTCF is disapplied when all Queue Management Milestones have been met (as in WACM2).

Workgroup discussion: A Workgroup member highlighted risks that high upfront costs would be difficult to finance, especially for smaller Developers relying on unsecured development finance, and could lead to reduced participation in the market or forced project exits. This raised the potential for unintended consequences (with the introduction of the OTCF) such as market consolidation, where larger Developers with stronger balance sheets could acquire distressed projects.

Workgroup members acknowledged that while the OTCF is intended to deter speculative projects, the £/MW level at which it is set could significantly impact viable projects. The Workgroup explored the balance between setting a sufficiently strong signal to manage queue (MW) volumes and avoiding excessive (£) financial barriers that could exclude credible Developers. Several Workgroup members emphasised that even if the principal is refundable to the project (when that project energises), the financing cost is not refundable, and the cost and availability of financing (of the project's OTCF) for the project can remain a material constraint.

Workgroup members debated whether such outcomes might align with the policy intent, given that the technology is already oversubscribed. Some Workgroup members noted that reducing the connection queue is an expected objective, while others argued

that the (OTCF) mechanism should still ensure fairness and not disproportionately disadvantage certain types of Developers. Suggestions included introducing a maximum or minimum (to the OTCF) to improve proportionality, with reference to the existing WACM1s that link the fee to project-level maximum lifetime securities.

In Workgroup 10, the alternative Proposer presented the finalised solution explaining how it focuses on introducing a more proportionate and structured OTCF framework through a two-tier approach and a project-specific cap. It was clarified that the alternative request 9 proposal distinguishes between near-term and far-term projects (using the trigger date as the boundary), with a reduced (50% less) OTCF applied to projects further away (today) from project energisation. The alternative Proposer explained, using a worked example (**Annex 11**), how the OTCF would operate as a floor to both cancellation charges and secured amounts, ensuring a minimum financial commitment, for each project, while being limited by a project-specific "ceiling" based on its maximum lifetime -security exposure. The discussion highlighted how the limit interacts with project timelines, how (£) values evolve over time, and how the mechanism avoids unintended behaviours such as projects deferring exit until post-trigger to reduce their exposure (to the OTCF). The alternative Proposer emphasised that while the detailed mechanics and legal drafting remain complex and require further refinement, the core intent is to create a balanced, proportionate incentive that maintains commitment without imposing high costs.

Several Workgroup members recognised the intent to introduce a more proportionate and commercially realistic approach, with some supporting the two-tier structure and the introduction of a project-specific limit as improving alignment with underlying securities and reducing excessive financial burden. However, some Workgroup members raised concerns regarding the complexity of the mechanics, clarity of terminology (particularly around securities versus liabilities), and the practicality of codifying the approach in legal text. Despite these concerns, the majority of Workgroup members supported the proposal, and it was approved to progress as a WACM (**WACM5**), with the expectation that further refinement and clarification would be undertaken in subsequent discussions, particularly in relation to implementation detail and legal drafting.

Alternative Request 10 – OTCF Cap and Floor and no exceptions for co-located projects
Overview: This Alternative Request proposes to limit the OTCF at the maximum security that a project would be required to place under its existing security profile (as in WACM1) and it also includes that there are no exceptions for co-located projects (as in WACM4). All other aspects of the Original proposal would remain the same.

Workgroup discussion: Alternative Request 10 was introduced to address concerns that the legal text for WACM1 had diverged from the position previously agreed by the Workgroup, specifically in relation to the treatment of co-located projects. As amending WACM1 directly would have changed the basis on which members had already voted, this request was raised as a separate alternative combining WACM1's OTCF cap and floor with the no exemptions for co-located projects, aligning with the treatment under WACM4.

Following discussion and clarification of the drafting, the Workgroup vote did not produce a clear majority to progress this as a WACM. However, given the materiality of the issue and to allow Ofgem to consider this option alongside the other options, the Chair exercised discretion to progress the alternative as WACM6.

The table below provides an overview of all the Alternative Requests (and who raised them) along with their individual status. Throughout the Workgroup deliberation, ten Alternative Requests were raised in total (**Annex 13**) and, six of these were voted to become WACMs (**Annex 15**).

Solution and Outcome of Alternative Vote	Party	Characteristic	Mechanism of Workgroup Vote
Alternative Request 1	Root Power	Alternative Implementation Date	Did not receive sufficient support in the vote to progress
Alternative Request 2	Firstway Energy	Alternative Fixed One-Off Security	Did not receive sufficient support in the vote to progress
Alternative Request 3	Windline (Cairnbeg)	The 'Exit Auction' mechanism	Raised by a non-CUSC party. No support to be adopted by the Workgroup
Alternative Request 4	Lightsource bp	Minor changes in how the OTCF value increments after activation	Did not receive sufficient support in the vote to progress
Alternative Request 5 **(WACM1)**	OnPath Energy	OTCF Limit and Floor	Received majority support in the vote to progress as a WACM

Alternative Request 6 **(WACM2)**	Zenobe	Disapplying when User Progression Milestones up to and including M8 are met	Received majority support in the vote to progress as a WACM
Alternative Request 7 **(WACM3)**	Enso Energy	Liabilities Floor	Received majority support in the vote to progress as a WACM
Alternative Request 8 **(WACM4)**	NESO	Include Co-located projects within scope of the OTCF	Received majority support in the vote to progress as a WACM
Alternative Request 9 **(WACM5)**	Ethos Green Energy /Innova	Two-Stage OTCF Proportionate Treatment of Projects pre-trigger date. maximum OTCF based on lifetime securities. OTCF refunded upon meeting Milestone M8.	Received majority support in the vote to progress as a WACM
Alternative Request 10 **(WACM6)**	OnPath Energy	OTCF Limit and Floor Include Co-located projects within scope of the OTCF	Did not receive majority support in the vote but saved by the Chair as may better facilitate the Applicable Objectives

The following pages features a detailed comparison table designed to clarify the principal distinctions between the Original proposal and each of the six Workgroup Alternative CUSC Modifications (WACMs). The table presents a side-by-side analysis to highlight the specific changes or consistencies across all seven options[42] under consideration.

[42] The Original solution and the six WACMs.

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Design Parameter	Original solution	WACM1	WACM2	WACM3	WACM4	WACM5	WACM6
1. Activation and deactivation thresholds	Activated at 50% oversubscription and national capacity target >5GW Deactivated at 25% oversubscription	No change	No change	No change	No change	No change	No change
2. National or regional application	National	No change	No change	No change	No change	No change	No change
3. Timing	Start: For G2tWQ offers - from activation For new Gate 2 Offers thereafter, from acceptance of offer End: Project energisation.	No change	Disapplied to projects where they have met all User Progression Milestones up to and including M8 (Project Construction)	Disapplied to projects where they have met all User Progression Milestones up to and including M8 (Project Construction)	No change	Disapplied to projects where they have met all User Progression Milestones up to and including M8 (Project Construction)	No change
4. Application Method	Floor to both Cancellation Charge and Cancellation Charge Secured Amount	No change	No change	Floor to Cancellation Charge	No change	No change	No change

Public

5. Level of the securities floor	£3k/MW initially increasing if oversubscription falls by less than 25%, to £5k/MW and then in £5k/MW increments up to a maximum value of £25k/MW	£3k/MW initially Increasing if oversubscription falls by less than 25%, to £5k/MW and then in £5k/MW increments up to a limit of the lower of £25k/MW or the maximum security a project would have faced at any point prior to project energisation in the absence of CMP470.	No change	£2k/MW initially increasing if oversubscription falls by less than 25%, in £2k/MW increments up to a maximum value of £8k/MW	No change	The floor is determined by the project's connection date at each biannual securities statement: • Post Trigger date: £2k/MW initially increasing if oversubscription falls by less than 25% in £2k/MW increments up to a maximum of £8k/MW. •• Pre Trigger Date £1k/MW initially increasing if oversubscription falls by less than 25% in £1k/MW increments up to a maximum of £4k/MW. Limited to the maximum security a project would have faced at any point prior to project	The lower of: • £3k/MW initially Increasing if oversubscription falls by less than 25%, to £5k/MW and then in £5k/MW increments up to a limit of the lower of £25k/MW or to the maximum security a project would have faced at any point prior to project energisation in the absence of CMP470.

Public

						energisation in the absence of CMP470.	

Public

6. Application to co-located projects	Applies to projects which include the oversubscribed technology based on the lower of TEC and installed capacity of the oversubscribed technology except where • The oversubscribed technology is due to connect after the other technology • The addition of the oversubscribed technology has no associated increase in TEC The addition of the oversubscribed technology has the total sum of	No change	No change	No change	Applies to projects which include the oversubscribed technology based on the lower of TEC and installed capacity of the oversubscribed technology with no exceptions	No change	Applies to projects which include the oversubscribed technology based on the lower of TEC and installed capacity of the oversubscribed technology with no exceptions

Public

	Attributable works and connection costs less than £250K						
7. Interaction with the PCF	Applies on top of PCF but as floor to total cancellation charges and securities (including PCF), so if cancellation charges and/or securities with PCF are already above floor, OTCF has no impact	The maximum security values used to set the limit would include the value of the PCF.	No change	No change	No change	The maximum security values used to set the limit would include the value of the PCF.	The maximum security values used to set the limit would include the value of the PCF.
8. Treatment of OTCF where the customer does not energise	Returned to end consumers via TNUoS	No change	No change	No change	No change	No change	No change

Public

9. Option for NESO to implement or not (with Ofgem overrule)	Yes, but limited to discretion to not activate when the activation threshold is met and to not increase when the threshold to increase is met, with Ofgem option to overrule	No change	No change	No change	No change	No change	No change
Implementation and activation Approach	Implemented [10] Business Days after Ofgem decision, with activation in the first biannual securities statement after both: • All offers from (CMP 435) G2tWQ window have either been signed or lapsed • All first (CMP434) Gated Window	No change	No change	No change	No change	No change	No change

Public

	Applications have been assigned a Gate 1 status (as requested to be a Gate 1) or assigned a Gate 2 status following the outcome of strategic alignment checks and queue formation, as notified by NESO						

Draft Legal Text Discussion

At Workgroup 9 the NESO representative presented an initial draft of the legal text (for the Original solution) which focussed on translating the OTCF design into detailed CUSC drafting, with an emphasis on aligning existing PCF structures while introducing new provisions to govern activation, calculation and application of the fee. Significant amendments to Section 15 and Section 11 were outlined including the introduction of new definitions, calculation approaches and processes for determining when the OTCF should be (i) activated, (ii) increased, (iii) frozen or (iv) deactivated. The drafting approach aimed to mirror established mechanisms within CUSC where possible to ensure consistency, while recognising that the OTCF introduces additional complexity.

The Workgroup discussion highlighted several areas where the legal text requires further refinement. A key issue was the use of fixed dates for implementation, which members questioned in favour of more flexible triggers linked to milestones[43] such as final Gate 2 Modification Offers being issued. There was also detailed debate around how key concepts should be defined, including "oversubscription", "permitted capacity" and the composition of the connection queue for a particular technology. Workgroup members raised concerns about ensuring definitions are robust, future-proof and aligned with wider processes such as the NESO's Gate 2 Criteria Methodology and Connection Network Design Methodology[44] as well as the evolving strategic planning frameworks.

Workgroup members also scrutinised how the OTCF interacts with existing User Commitment arrangements, particularly the treatment of cancellation charges, securities and pre-trigger amounts. It was acknowledged that the legal text drafting in this area is complex and requires further clarification (by NESO, with Workgroup consideration) to ensure consistent application across different project types. Related points included whether liabilities or secured amounts should be used as the comparator, whether there should be consistent OTCF design approach in relation to both the Cancellation Charge Secured Amount (the security) and the Cancellation Charge (the liability), noting that the draft legal text for the Original proposal treated the OTCF as a floor in relation to the security, but as additive for the liability, and how to correctly exclude or incorporate elements such as the OTCF itself or fixed securities.

A Workgroup member queried whether Ofgem could be formally bound by timelines (associated with CMP470) and highlighted the need to reflect the established approach whereby Ofgem is not constrained but can intervene or allow NESO's decision to stand.

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[43] For the avoidance of doubt, these are not the milestones, referenced elsewhere in this document, that concern projects, as set out on pages 2-5 of CUSC Section 16.

[44] These are as defined, in Section 11 of CUSC, as *"the methodology developed or to be developed by The Company in accordance with the ESO Licence and approved by the Authority and published by The Company on the Website as such methodology may be revised from time to time"*.

Workgroup members also discussed the extent of the proposed discretion available to NESO (and Ofgem), particularly in terms of ensuring that activation and increases (of OTCF) are appropriately controlled while deactivation (of OTCF) occurs automatically when thresholds (for oversubscription of a technology) are no longer met.

Workgroup members discussed data requirements and practical implementation considerations, for CMP470, including the need for information from DNOs to support accurate calculations (of the OTCF/oversubscription) and the importance of ensuring transparency (for market participant) of this as well as the auditability of the information provided/used by NESO (when calculating the OTCF and oversubscription).

In Workgroup 10 and 11, the legal text discussion focused on refining and clarifying how the OTCF is defined, calculated, and applied, with particular emphasis on improving consistency, operability, and alignment with the policy intent. Updates included simplifying drafting, clarifying calculation steps, and introducing provisions for how the OTCF is applied, unapplied, increased, or frozen, alongside consideration of the appropriate level of NESO and Ofgem discretion in these decisions.

The Workgroup discussed the interaction between cancellation charges and secured amounts, with the members highlighting the need for clearer terminology and simpler explanations to ensure the mechanism is understandable to stakeholders.

It was noted by the Workgroup that a key area of challenge was defining and implementing a "maximum project security" concept for limiting purposes (for WACM1, WACM5 and WACM6), which was recognised as complex due to its time-dependent nature and reliance on project-specific assumptions.

In Workgroup meeting 14, the NESO SME outlined a series of overarching changes applied across both the Original solution and WACM legal text, including removal of redundant provisions on security release, confirmation that certain terms such as "technology type" did not need formal definition, and standardisation of drafting by using "project" as a non-defined term. Additional refinements ensured consistency in terminology, such as explicitly referring to "relevant" embedded generation categories, reflecting advice from the NESO legal team.

For WACM1, the discussion centred on the introduction of a structured methodology for calculating the maximum lifetime cancellation charge secured amount, supported by a forecast profile. The intent was to give greater transparency on how securities evolve over time, with NESO required to issue both the profile and the maximum value with each cancellation charge statement. The Workgroup examined how planning assumptions should feed into this calculation, particularly whether forecasts should reflect current planning status, future expected milestones, or assumed outcomes. There was general alignment that planning should be based on dates in the

construction agreement, although this raised complexity for distribution projects where equivalent data may not be held centrally. This led to further discussion on whether assumptions or additional obligations on DNOs would be required, with an action taken to refine the drafting. The Workgroup members also agreed practical parameters such as allowing ten business days for users to challenge calculated values and clarified that the maximum secured amount would not reduce retrospectively once established.

The discussion on WACM2 focused on how the OTCF should apply up to the point at which all user progression milestones are met. The Workgroup members explored how this concept should be captured legally, particularly whether references should be embedded throughout the drafting or handled more cleanly through core provisions in Part 6. A key theme was ensuring that the drafting appropriately reflected project stage-level application rather than user-level aggregation for projects with multiple stages. There was also detailed consideration of how milestone concepts apply to distribution-connected projects, where equivalent "user progression milestones" do not formally exist in the same way as Transmission. The Workgroup members debated whether to rely on existing ENA processes, create new defined terms, or use more flexible drafting, with a preference emerging to align with existing definitions where possible while avoiding unnecessary complexity.

For WACM3, the primary change was shifting the application from liabilities to securities, simplifying the drafting by removing the OTCF from formulae for the calculation of the Cancellation Charge Secured Amount. The Workgroup members reviewed amendments to the numerical values and confirmed that some provisions included in the Original proposal were no longer required in this variant. There was also attention to ensuring that changes were clearly visible in the drafting, with suggestions to retain strike-through formatting to aid transparency.

WACM4 was comparatively straightforward, involving the removal of the co-location exemption with minimal further debate. In contrast, WACM5 combined elements of earlier options, introducing differentiated values pre-and post-trigger. This led to further discussion by Workgroup members about how such distinctions should operate for staged projects, where different phases may sit either side of the trigger date. The Workgroup members recognised that, to remain consistent with existing approaches, stages should be treated separately, implying that the drafting would need to apply values at a more granular level rather than at a single project level. This required further refinement of Part 6 to ensure the intended behaviour was accurately captured.

Across all WACMs, there was also discussion on how customer-facing statements should be presented. While legal advice suggested simplifying the statements by referencing overarching sections, some Workgroup members preferred retaining key

values within the text to allow users to understand and validate calculations. The Workgroup broadly supported maintaining clarity and transparency for users while avoiding unnecessary complexity in the code.

The aim of Workgroup 15 was to finalise the legal text for the Original solution and WACMs. The discussion focused largely on refining drafting clarity and consistency rather than introducing fundamental changes to the underlying design. Key updates included standardising terminology (for example, replacing references to "completion date" with "charging date" to align with the cancellation charge framework), removing legacy drafting from earlier iterations, and improving readability across Sections 11 and 15.

Workgroup members also considered several technical clarifications to ensure the legal text could be implemented effectively. This included refinement of the calculation of the Forecast Lifetime Cancellation Charge Secured Amount Profile to ensure it is forward-looking, clarification of the treatment of planning consent dates (with a preference from legal advisors to use Appendix Q milestones), and updates to definitions such as the OTCF Technology Queue. In addition, drafting was adjusted to better reflect responsibility and mechanics in the code, for example confirming that it is the user (rather than the capacity itself) that meets progression milestones and ensuring that references to capacity are applied consistently across scenarios including staged and distribution-connected projects.

A significant portion of the discussion centred on ensuring the legal text appropriately captured the intended treatment of staged and co-located projects. Workgroup members raised concerns regarding wording such as "relevant capacity" and how this interacts with staged connections, with suggestions to improve precision in how milestones and capacity are described. While some alternative drafting suggestions were proposed, the general approach agreed was to retain the existing structure where it was considered sufficiently robust, particularly where it had already been reviewed by legal advisors, unless a clearly superior formulation was identified.

A material issue was identified during the review of WACM1, where the circulated legal text did not align with the Workgroup's previously agreed position as captured in the parameter table and Workgroup Report, specifically in relation to the treatment of co-located projects. The updated legal drafting had removed the co-location exemption, which had not been explicitly reflected in earlier Workgroup agreements. The Chair determined that this constituted a substantive change to the WACM and that it would be inappropriate to amend WACM1 at this stage given members had already formed positions based on the agreed documentation. Instead, the Workgroup agreed that the WACM1 legal text should be corrected to align with the agreed position, and that any

revised treatment of co-location should be brought forward as a separate alternative request (this became Alternative request 10 and subsequently WACM6).

Terms of Reference Overview

a) Consider EBR implications The Workgroup confirmed that it had considered the potential for EBR implications and, based on input from the NESO representative and Workgroup discussions, concluded that no EBR impacts were identified. Members were satisfied that this had been appropriately addressed within the report, and no further analysis was required under this term, see pages 63, 64, 102, 110.
b) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter The Workgroup agreed that this term of reference had been met through the development of the modification and the production of the Workgroup Report itself. Members noted that evidence of achievability is reflected across the report, including implementation considerations, and that no additional standalone assessment was necessary beyond the documented Workgroup outputs, see page 76, 77, 102.
c) Consider how the de-activation process would work The Workgroup confirmed that the de-activation process had been considered through the legal text and associated discussions on implementation. The agreed drafting provides a mechanism for de-activation of the OTCF, and members were satisfied that a workable process had been defined and documented within the report and legal text, see page 11, 12, 18, 19, 53, 54, 78, 79, 102, Annex 04.
d) Consider to whom any funds arising would be paid to, and how, if the OTCF was realised (for relevant projects) The Workgroup noted that the handling of funds arising from the OTCF had been considered as part of the solution design and documented within the legal text. Members agreed that this requirement had been fulfilled through the agreed drafting, which sets out how such funds would be treated within the existing CUSC framework, see pages 18, 60, 102.
e) Consider how the co-location process would be applied where one technology is oversubscribed and the other not The Workgroup confirmed that it had considered how the process would apply where one technology in a co-located project is oversubscribed and the other is not. It was agreed that the requirement under this term is limited to ensuring that a clear process exists, rather than reaching consensus on the merits of that approach. Members

agreed that a defined process is set out within the legal text for all options, and therefore the term had been satisfied, see pages 16, 17, 57, 58, 71-73, 102.
f) Consider how the co-location process would be applied where both technologies are oversubscribed, but one technology was ahead of the other (so the £/MW level is at a different quantum). The Workgroup confirmed that it had considered scenarios where both technologies in a co-located project are oversubscribed but at different levels. Workgroup members agreed that the legal text provides a mechanism for handling these scenarios, and that the Workgroup had fulfilled its obligation by ensuring that a clear and workable process exists. Some members noted limitations in the supporting data; however, this was recorded as a qualification rather than a failure to meet the term, see pages 16, 17, 71-73, 103.
g) Consider whether the targeted fee facilitates competition by assessing to what extent overall project viability (and hence cost of risk of incurring the fee) is related to economic competitiveness should a project become viable. The Workgroup discussed whether the targeted fee facilitates competition by assessing project viability and economic competitiveness. It was agreed that this had been considered extensively within the report; however, the design of the OTCF does not explicitly differentiate projects based on economic competitiveness. Instead, it acts as a general incentive impacting all applicable projects, with Developers expected to assess viability themselves, see pages 29-32, 52, 53, 42, 57, 64, 103.
h) Consider whether the increased costs to Generators will be offset by the benefits in network planning resulting in a net benefit. The Workgroup agreed that it had considered whether increased costs to Generators would be offset by benefits in network planning. However, members noted a limitation in that there was insufficient quantified evidence from network operators to robustly assess these benefits. The Workgroup discussed the ability to quantify the impacts under Terms of Reference (h), particularly whether increased costs to Generators would be offset by benefits in network planning. A Workgroup member highlighted that the required quantified data, had not been provided, and therefore a robust assessment of the benefits could not be undertaken. Another Workgroup member supported this position, explaining that quantification was not feasible due to key uncertainties, most notably the unknown volume of projects that may withdraw from the connection queue as a result of the modification. As a result, any attempt to quantify the benefits to network planning, or the current costs of oversubscription, would be highly uncertain. The Workgroup therefore agreed that the issue had been considered but could not be fully evidenced quantitatively, see pages 48, 49, 57, 103.

i) Consider whether the solution/s will bring the connection queue closer to the strategic capacity set out in CP30.

The Workgroup confirmed that it had considered whether the solution would bring the connection queue closer to strategic capacity targets. Members agreed that the report contains extensive discussion on oversubscription and queue management, which demonstrates that this term has been addressed. It was generally accepted that the proposals would contribute to queue reduction to some extent, and that sufficient evidence of consideration is documented within the report, see pages 9, 10, 25-29, 33, 34, 48-55, 65-70, 73, 74, 103 Annexes 08, 09, 14.

What is the solution?

Proposer's Original solution

Introducing an OTCF

The finalised solution seeks to introduce a floor on securities through an Oversubscribed Technologies Commitment Fee for all technologies which are oversubscribed relative to Clean Power 2030 capacity targets.

WACM1 solution

OTCF limit

The finalised solution seeks to limit the Oversubscribed Technology Commitment Fee (OTCF) floor at the maximum security that a project would be required to place under its existing security profile.

All other aspects of the Original proposal would remain the same.

WACM2 solution

Disapplication when all Queue Management Milestones are met

The finalised solution seeks to disapply the OTCF to projects where they have met all Queue Management Milestones.

WACM3 solution

Liabilities Floor

The finalised solution seeks to:

1. The OTCF commences at a value of £2k/MW with increments of £2k/MW at each 6 monthly charging blocks if oversubscription has reduced by less than 25%, up to a maximum level of £8k/MW
2. The OTCF value is a floor on the project liabilities. Securities are then calculated from the liabilities value as per the existing CUSC methodology.

3. The OTCF is disapplied when all Queue Management Milestones have been met (as in WACM2)

WACM4 solution

Include co-located and staged projects within scope

The finalised solution is co-located and staged projects of oversubscribed technologies remain liable for the OTCF regardless of whether the second and subsequent connection has no attributable works or connection costs.

WACM5 solution

Two-Stage OTCF

The finalised solution proposes:

1. A two-stage OTCF structure based on the project connection date, with a lower far-term OTCF rate for pre-Trigger Date.
2. A limit preventing the OTCF exceeding the project's maximum Cancellation Charge Secured Amount at each biannual securities statement.
3. The OTCF is disapplied when all Queue management milestones have been met.

WACM6 solution

OTCF limit and no exceptions for co-located projects

The finalised solution would limit the OTCF at the maximum security that a project would be required to place under its existing security profile (as in WACM1). The solution also includes that there are no exceptions for co-located projects (as in WACM4).

Legal text

The legal text for the Original Solution and the six WACMs can be found in **Annex 16**.

What is the impact of this change?

Original 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** No impact
(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** There is limited competitive pressure on relatively uneconomic projects with Gate 2 status to leave the connection queue and enable more economic projects with Gate 2 status to progress. This change introduces an economic incentive for Developers of less viable projects to leave the connection queue and for Developers of the best projects to remain, better facilitating competition between Developers.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	**Neutral** No impact
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	**Positive** NESO is currently dealing with more projects with Gate 2 status than are needed. This change will reduce the number of Connection Agreements for BESS, improving efficiency in delivery of Connections Reform.

** 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	**Neutral**
Lower bills than would otherwise be the case	**Positive** This change will have a two-fold impact on consumer bills: (i) Where a technology is oversubscribed, it will create a mechanism whereby the least economic projects are removed from the connection queue and the most economic progress. That will result in an overall lower cost system (ii) 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
Benefits for society as a whole	**Neutral**
Reduced environmental damage	**Positive** Progress towards Clean Power 2030 has effectively stalled while NESO and TOs work on issuing Connection Agreements post Connections Reform. This change will remove key remaining blockers (namely the overdesign of network to connect oversubscribed technologies) and thus enable progress towards Clean Power 2030 to accelerate more quickly once Connection Offers are issued. The change should also reduce the number and magnitude of new substations required, as the most economic projects are likely to connect at existing

	substations. That in turn reduces the impact on local communities and environments in the areas where those substations are no longer needed.
Improved quality of service	**Neutral**

Workgroup Vote

The Workgroup met on 10 June 2026 to carry out their Workgroup Vote. The full Workgroup Vote can be found in **Annex 17**. 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 by majority (out of 36 votes noting that one member chose to abstain from the vote) that the Original solution and WACM4 better facilitated the Applicable Objectives than the baseline.

Option	Number of voters who considered that this option better meets the Applicable Objectives than the baseline	Numbers of voters who considered that this option <u>does not</u> better meet the Applicable Objectives
Original	24	12
WACM1	17	19
WACM2	17	19
WACM3	14	22

WACM4	19	17
WACM5	16	20
WACM6	16	20

When will this change take place?

Implementation date

CMP470 will be introduced into the CUSC 10 Business Days following a Decision by the Authority.

Actual practical application (after the CUSC implementation) of this change would be expected in the first securities statement after both (i) all Gate 2 Modification Offers from the (CMP435) G2tWQ process have been signed of lapsed; and (ii) all the first (CMP434) Gated Window Applications have been assigned a Gate 1 status (as requested to be a Gate 1) or assigned a Gate 2 status following the outcome of strategic alignment checks and queue formation, as notified by NESO.

Based on the current timelines proposed by NESO, that is expected (by the Proposer and the Workgroup) to be the July 2027 securities statement ahead of securities to be placed in September 2027 for the October 2027 to March 2028 securities period.

Date decision required by

A decision is required as soon as possible, but in any case, by mid-August 2026. The first Gate 2, Phase 1 Modification Offers for 2028 to 2030 projects were issued between 27 May and 3 June (according to the ENA connections dashboard) which will fall due for signature on in late August and early September.

An Authority decision is sought before those projects sign their Connection Agreements, so that the implications of the upcoming increase in securities which this CMP470 change would introduce; i.e. the OTCF; can be factored into Developers' decision making. This gives Developers an opportunity to exit the connection queue, without incurring Cancellation Charges, by them not signing their Gate 2 Modification Offer(s).

With this Authority decision target, the first Gate 2, Phase 1 Modification Offer-holders will have two weeks remaining in the window to accept those offers. However, Developers will also have visibility of this CMP470 proposal as it has developed, so will be able to

consider the eight potential outcomes[45] based on, for example, the Original solution (and the six WACMs) presented to the Authority in the Final Modification Report.

Implementation approach

Some NESO tools may need to be updated, potentially alongside those for the DNOs.

Interactions

☐Grid Code	☐BSC	☐STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[1]	☐Other modifications	☐Other

No interactions currently identified.

How to respond

Code Administrator Consultation questions

1. Please provide your assessment for the proposed solutions against the Applicable Objectives versus the current baseline.
2. Do you have a preferred proposed solution?
3. Do you support the proposed implementation approach?
4. Do you have any other comments?
5. Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?

Views are invited on the proposals outlined in this consultation, which should be received by **5pm** on **30 June 2026**. Please send your response to cusc.team@neso.energy using the response pro-forma which can be found on the modification page.

[45] That the Authority: (i) approves the Original solution, or (ii) approves WACM1, or (iii) approves WACM2, or (iv) approves WACM3, or (v) approves WACM4, or (vi) approves WACM5, (vii) approves WACM6 or (viii) rejects the Original solution and all six WACMs (and thus the 'status quo' baseline CUSC prevails).

If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Acronyms, key terms and reference material

Acronym	Meaning
ASTI	Accelerated Strategic Transmission Investment
BEGA	Bilateral Embedded Generation Agreement
BELLA	Bilateral Exemptible Large License-exempt Generator Agreement
BESS	Battery Energy Storage System
BSC	Balancing and Settlement Code
CfD	Contracts for Difference
CNDM	[NESO's] Connections Network Design Methodology
CP30	[the UK Government's] Clean Power 2030 Action Plan[46]
CUSC	Connection and Use of System Code
DESNZ	Department for Energy Security and Net Zero
DNOs	Distribution Network Operators
EBR	Electricity Balancing Regulation
ENA	Electricity Network Association
FCM	Financial Commitment Milestone
FES	Future Energy Scenarios
G2CM	[NESO's] Gate 2 Criteria Methodology

[46] Clean Power 2030 Action Plan - GOV.UK

G2tWQ	Gate 2 To Whole Queue
GC	Grid Code
GSP	Grid Supply Point
GW	Gigawatt
LDES	Long Duration Electricity Storage
Mod App	Modification Application
MW	Megawatt
NESO	National Energy System Operator
NETS	National Electricity Transmission System
NPV	Net Present Value
OTCF	Oversubscribed Technologies Commitment Fee
PCF	Project Commitment Fee
SME	Subject Matter Expert
SSEP	Strategic Spatial Energy Plan
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
T&Cs	Terms and Conditions
TEC	Transmission Entry Capacity
TMO4	[NESO's] Target Model Option 4
TMO4+	[NESO's] Target Model Option 4 Plus
TNUoS	Transmission Network Use of System
TO	Transmission Owner

Annexes

Annex	Information
Annex 01	CMP470 Proposal Form
Annex 02	CMP470 Terms of Reference
Annex 03	CMP470 Urgency Decision
Annex 04	CMP470 Worked Examples
Annex 05	CMP470 Alternative Requests 1 and 2 for WG Consultation
Annex 06	CMP470 Workgroup Consultation Responses and Summary
Annex 07	CMP470 BESS Build-out Forecast Data – Modo Energy
Annex 08	CMP470 NESO BESS Data – Securities and Terminations
Annex 09	CMP470 Battery Projects Analysis
Annex 10	CMP470 Securities Floor and Cancellation Charge Interaction
Annex 11	CMP470 Alternative Request 9 Worked Example
Annex 12	CMP470 Gate 2 Capacities incl Build by TEC and Phase
Annex 13	CMP470 Alternative Requests
Annex 14	CMP470 BESS Capacity by Zone
Annex 15	CMP470 WACMs
Annex 16	CMP470 Original Solution and WACM Legal Text
Annex 17	CMP470 Alternative and Workgroup Vote
Annex 18	CMP470 Workgroup Attendance Record
Annex 19	CMP470 Workgroup Action Log