Public

National Energy System Operator Limited
St Catherines Lodge
Bearwood Road
Sindlesham
Nr Wokingham
Berkshire
RG41 5BN

www.neso.energy

15th July 2026

Securities Freeze due to the implementation of Connections Reform

Dear Customer,

This letter is for customers who have a transmission connection agreement with NESO and/or a connection agreement with a DNO or iDNO, that would require updated security statements[1].

I am writing to confirm that NESO will not be issuing updated security statements through the usual biannual securities process in July 2026. NESO has extended the existing freeze of the biannual securities process for existing Construction Agreements for the next period, 1st October 2026 to 31st March 2027, due to the delivery of the Connections Reform methodology and the significant changes being brought about by Connections Reform code modifications CMP434, CMP435 and CM095. However, customers who have already received a Gate 2 offer, whether signed or not, will receive an updated securities position for the next period.

This would mean that:

1. NESO will not issue or update customer securities or liabilities through the usual biannual process in July 2026 for customers who have not yet received a Gate 2 offer. Securities will remain as per the statement sent to them in July 2024, unless a modification offer was signed in the interim before the Gate 2 to Whole Queue (G2TWQ) window opened which updated the securities.
2. That position will remain in place until the customer receives their Gate 2 offer, which will include a security statement. Upon signing the offer, the customer will be required to provide the security based on the value specified in the security statement.

[1] Gate 1 projects have or will be issued agreements that will remove the requirement for securities

3. Customers who have already received a Gate 2 offer, whether signed or not, will receive an update to the securities issued as part of that Gate 2 offer, updating the value for the next period.
4. For customers who have not yet received their Gate 2 offer and are continuing under the freeze, the Wider Cancellation Charge will not be triggered during this period or be increased if it has already been triggered.
5. For customers who have not yet received their Gate 2 offer and are continuing under the freeze, if they have previously elected to Fix their securities, then that customer's MM3[2] security profile (all to be held at the current level) will remain the same during the freeze. This applies to those customers who have recently elected to Fix their security and therefore, their security profile is due to increase. E.g. a customer currently secures £1,000 per MW, and although the security is due to increase to £2,000 per MW, the security will remain at £1,000 during the freeze.

If a customer did decide to terminate in this current period, prior to execution of their Gate 1 or Gate 2 contract, then NESO would look to levy the Cancellation Charge in the MM1 Cancellation Charge Secured Amount and follow the current process[3].

What do you need to do next?

If you secure via Cash into Escrow, then, so long as NESO has the value required already in Escrow, no further action is needed until execution of the gate 2 offer. Should you need to update a cash security, payments can be made to the existing bank details using your unique AMS number as reference. If you require the bank details or your unique AMS number, please contact us through the customer portal.

If you secure via a bank Letter of Credit, please check the validity period of the Letter of Credit supplied to NESO and as needed, please update.

If you secure via a Parent Company Guarantee, please can you check the validity period supplied to NESO and update as needed.

Please follow the existing process to send in any updated Letters of Credit and or Parent Company Guarantees. We will need these sent to us by **14th August 2026.**

Why are we doing this?

The purpose of extending the freeze is to avoid unnecessary duplication of activities while Connections Reform continues to be implemented. The Connections Reform code modifications bring significant changes to the existing contracted background. Customers who receive and accept Gate 1 offers will no longer be required to maintain securities for those agreements, while

---

2 Notification of Fixed Attributable Works Cancellation Charge

3 CUSC S15 Part 4 Reconciliation of Actual Attributable Works Cancellation Charge

customers who meet Gate 2 criteria will receive revised offers that are expected to include updated Attributable Works and associated security requirements.

If the current biannual securities process were followed during this transitional period, customers may be required to update security shortly before their position changes again through the Gate 1 or Gate 2 offer process. Extending the freeze reduces this duplication for customers and industry participants while supporting the delivery of the Connections Reform methodology.

We trust that you will view the continuation of the securities freeze as a positive measure to support the delivery of the Connections Reform methodology. We also invite you to attend our regular Customer Connections webinar, where we provide the latest updates and information on Connections Reform.

Yours sincerely,

Robyn Jenkins

Head of Connections Reform