Public

Connections Reform update

Webinar

16 July 2026

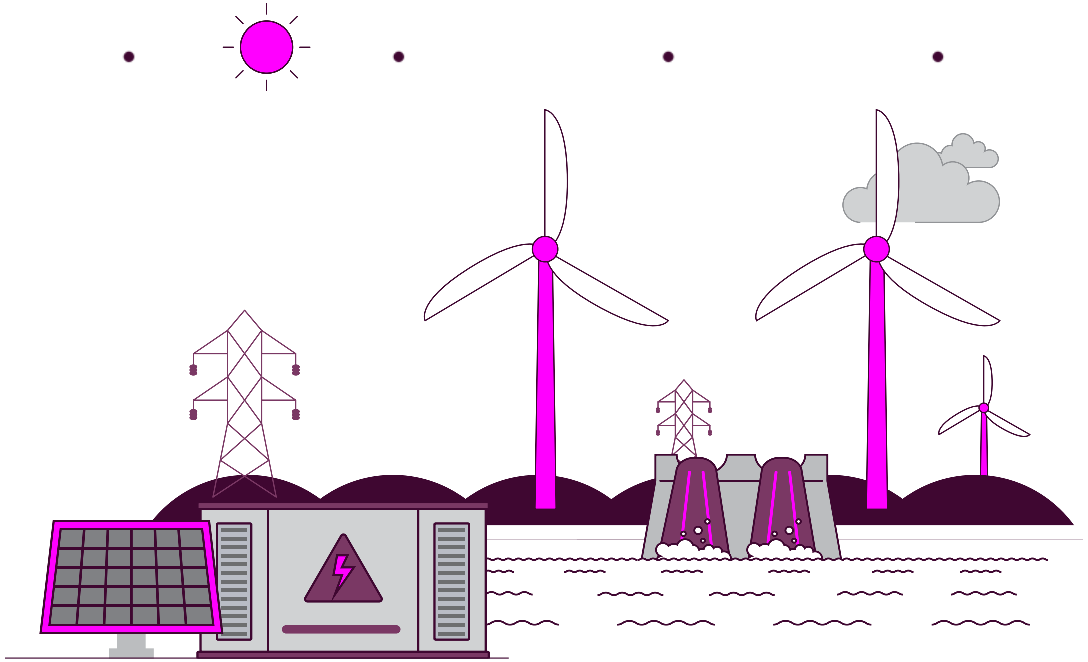
NESO
National Energy System Operator

Welcome

Nina Bhogal

Agenda

1. Welcome
2. Securities Overview
3. Securities Freeze update
4. CMP447 update
5. Securities Related Code Mods
6. Q&A



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Q&A

Today’s Q&A is open

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We are moderating questions to ensure they are:

- not project specific
- not repeats of questions asked by others
- respectful and pertinent

Securities Overview

Deepak Solanki

What are securities?

Understanding what securities are, why they are required, and how they work

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01

Requirements

Customers are required under existing User Commitment Arrangements and Final Sums Methodology (for Demand) to financially secure Transmission Owner's (TO) spend in relation to their connection.

02

Basis

Placed by customers, security refers to a proportion of the liability incurred in relation to the works required to facilitate a particular project.

03

Statements

Pre-Connection customers receive a security statement from NESO as part of offers and the bi-annual process in January and July.

04

Return

Security is returned upon connection of a project.

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Gate 2: Securities statement

An updated securities statement will be sent with all Gate 2 offers, based on the latest position of attributable works and TO spend

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In line with BAU process, you will have 30 days to pay any securities

Securities profile (actual or fixed) will remain based on the current securities position of the project

There are no changes to the attributable works and wider works methodology

Some changes have or might in the future alter the securities profile ((CMP417, CMP447, Progression Commitment Fee (PCF) and Oversubscribed Technology Commitment Fee (OTCF))

Securities Freeze

Deepak Solanki

Securities freeze

Update for NESO customers (including iDNO and DNOs customers)

- We have a Letter of Comfort from Ofgem to support a freeze of the bi-annual securities process until March 2027.
- As a result, 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.
- 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.

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The pause helps to avoid unnecessary duplication, particularly as Gate 1 and Gate 2 offers continue to be issued which update security obligations.

This is in response to customer feedback and:

- avoids two rounds of securities updates in rapid succession
- supports a smoother transition to the new Connections Reform methodology
- aligns securities requirements with upcoming offers

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What you need to do

Actions for customers

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Cash in Escrow

No action if NESO already holds the required amount. If payments are required, use existing bank details with Account Management System (AMS) number as reference.

Letter of Credit (LoC)

Check and update validity as needed.

Parent Company Guarantee (PCG)

Check and update validity as needed. Send any updated LoCs/PCGs to NESO by 14 August 2026.

CMP 447

Deepak Solanki

CMP447

CMP447 removes approved designated strategic works from cancellation and securitisation charges.

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- Ofgem approved CMP447 in January 2026, with the modification implemented shortly after approval.
- Ofgem has also approved the list of works to be removed, covering most of the works proposed.
- Customer securities that previously included those works will be adjusted as part of Gate 2 offers.
- Customers who have already received a Gate 2 offer will receive a retrospective securities update.

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How securities will be updated

What the CMP447 changes mean for customer securities

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Actual profile securities

NESO will remove the approved works from the securities calculation.

The actual profile will then be re-run to calculate and provide a new security statement.

Outcome: Revised customer securities reflecting the updated work scope.

Fixed profile securities

NESO will remove the fixed liability amount for the approved works from the full liability.

This will establish the new 100% fixed value for the remaining liabilities.

Outcome: Updated fixed security value while maintaining the existing fixed profile.

Ongoing review

The designated strategic works list will be reviewed regularly so further qualifying works can be added when appropriate.

Code updates

Simon Sheridan

What's next?

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Code updates	Status	Key information
CMP448: Progression Commitment Fee (PCF)	Approved and live in Connection and Use of System Code (CUSC) in January 2026	• First PCF metric (i.e. projects terminated for failure to meet milestone 1 of Queue Management milestones) will be published on 3 August 2026
CMP470: Oversubscribed Technology Commitment Fee (OTCF)	Awaiting Ofgem decision	• Introduces additional liabilities/securities for technology types exceeding Clean Power 2030 (CP30) targets e.g. batteries • Submitted to Ofgem on 14 July 2026
CMP417: Extension of principles of "User Commitment Methodology"	Due for Ofgem submission	• This proposal focuses on extending the principles of CUSC Section 15 "User Commitment Methodology" resulting in all Users being on the User Commitment Methodology • To be submitted on 20 July 2026 • If approved, implementation required before January 2027

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Q&A

Nina Bhogal

Slido Q&A

We will now answer the top voted Slido Q&As for the remainder of the session.

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We kindly request that do you do not raise project-specific questions, and that you keep your questions constructive and relevant to the content we have shared today.

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Thank you