

**CUSC Alternative Form – Non Charging**

# CMP435 Alternative Request 7:

**Overview:** This Alternative responds to the recent change in UK Government and its announcements to expedite clean power, plus emerging concerns over the effectiveness of the original solution to connect net-zero-aligned projects, as summarised by Ofgem in its blog dated 14 August 2024<sup>1</sup>.

In conjunction with the ‘twin’ CMP434 Alternative proposal submitted alongside this CMP435 Alternative, this package of proposals seeks to create a single connections process that will apply to new and existing projects, subject to an appropriate project exemption that recognises projects that have already been subject to and selected via robust, competitive, Government-backed processes.

This package of Alternative proposals aligns the allocation of scarce Transmission capacity with projects that will ensure a secure system and that will deliver the UK Government targets from ‘go live’ of a reformed connections process and, in so doing, minimise the period of uncertainty for investors.

**Proposer:** Garth Graham, SSE Generation

☒ I/We confirm that this Alternative Request proposes to modify the non - charging section of the CUSC only

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<sup>1</sup> [Connections reform – going further | Ofgem](#)

## What is the proposed alternative solution?

As per CMP435 Original, this Alternative proposal seeks to address existing projects connecting at Transmission or with Transmission impact, i.e., projects in receipt of a connection offer or an accepted offer<sup>2</sup> issued prior to the introduction of the transitional arrangements process from 2 September 2024 (as set out in Ofgem's letter of 21 August 2024<sup>3</sup>).

Since the publication of CMP435 Original, the UK Government has changed. This change has brought with it a new 2030 clean power target. Meeting this (new and expedited) target requires more radical thinking and action.

This change in tack is further supported by Ofgem's blog of 14 August 2024<sup>1</sup>, which references the results from the ESO's recent Request for Information (RFI) and indicates that the "*current proposals may not sufficiently reduce the queue size and may not enable material improvements to the connection dates of viable, Net-Zero-aligned projects*". It references the July Connections Delivery Board and its focus on "*how the proposals for reform can go further*".

Therefore, this Alternative proposal seeks to build on this latest information and go further in addressing the connection of existing projects.

### *The Alternative proposal*

#### *Project Exemption*

Any existing project that meets the following exemption criteria reserves the right to retain its existing pre-connection reform contract (i.e., its connection location and date).

An exemption applies to any project that is in receipt of a connection offer or an accepted offer prior to 2 September 2024 **and** prior to connection reform 'go live' **being** ~~has~~ secured: (i) a Government Support Contract; or (ii) a seabed lease (or agreement for lease) secured through a competitive process run by a Government agency or organisation operating for the benefit of the nation.

A Government Support Contract is defined as including, but not necessarily limited to, any:

- Contract for Difference (CfD) issued in accordance with the Energy Act 2013;
- Capacity Market contract issued in accordance with the Energy Act 2013 and relevant secondary legislation; and
- Agreement issued in accordance with a 'cap and floor mechanism' approved by the Authority.

This exemption ensures existing projects, that have *already* gone through a robust Government process, been assessed as necessary, and have successfully secured contracts on this basis, avoid any adverse transitional impacts from having to re-apply via the new CMP434 Alternative process.

<sup>2</sup> This includes Bilateral Connection Agreements (BCAs), Bilateral Embedded Generation Agreements (BEGAs), Bilateral Embedded Licence exemptible Large power station Agreements (BELLAs) and all Appendix G offers.

<sup>3</sup> [Ofgem Transitional Arrangements Decision](#)

However, where an existing project meets the exemption criteria set out above, it will not be prevented from applying via an Application Window (as set out in the ‘twin’ CMP434 Alternative proposal) if it so chooses.

Where a project chooses to exercise this option, it must:

- (a) exercise this option in the first Application Window relevant to it; **and**
- (b) accept any new conditional Gate 1 offer made to it via this process within the timescales set out in the ‘twin’ CMP434 Alternative proposal.

Otherwise, its new conditional Gate 1 offer will expire, and the project’s contract will remain as per its existing pre-connection reform position.

For the avoidance of doubt, where existing projects meet the project exemption criteria and choose to retain their existing pre-connection reform contract, they will be subject to making a financial payment to the ESO via an escrow account as per the principle set out in CMP434 and subject to the same timescales. To facilitate this, the ESO must notify the project of the quantum of financial commitment required at the close of the equivalent Application Window. The exempt project must make payment to retain their offer in line with the principles of the CMP434 Alternative proposal.

#### *All other existing projects*

All other existing projects that do not meet the exemption criteria (set out above) will have the following clause (or words to that effect) added to their current contract:

*Following the introduction of the reformed connections process in Q2 2025, it is a pre-requisite of grid connection that projects must either:*

- (i) *Apply via an Application Window (as set out in the ‘twin’ CMP434 Alternative proposal); or*
- (ii) *On award of a Government Support Contract following connection reform ‘go live’ (i.e., Q2 2025), be deemed to have applied via an Application Window (as set out in the ‘twin’ CMP434 Alternative proposal).*

In so doing, projects will retain their relative queue position compared to those behind them in the queue, but accept that their queue position does not prevent projects behind them in the queue from being able to accelerate (‘leap-frog’ them) if they are aligned with the Clean Power Plan for 2030 (or any subsequent plan as determined by the Government as being the relevant plan at the time the ESO is assessing connection applications) or, consistent with this, secure a Government Support Contract.

Any project in the existing queue that re-applies via an Application Window (as set out in the ‘twin’ CMP434 Alternative proposal) and is unsuccessful in meeting the Gate 1 criteria may be eligible to claim project development costs that it reasonably, efficiently and proportionally incurred whilst exercising good industry practice, which are now unrecoverable as a result of transitioning to this new process.

For the avoidance of doubt, this would equate to a project being terminated, i.e., where such a claim was made, this would amount to a project developer no longer having a viable project to submit in a future Application Window.

What is the difference between this and the Original Proposal?

Since the publication of CMP435 Original, the UK Government has changed. This change has brought with it a new 2030 clean power target. Meeting this (new and expedited) target requires radical thinking and action. Incremental and evolutionary changes to the connections process as envisaged through CMP435 Original ('TMO4+') puts this target at risk and threatens investor confidence.

This change in tack (that this Alternative envisages) is further supported by Ofgem’s blog of 14 August 2024<sup>1</sup>, which references the results from the ESO’s recent Request for Information (RFI) and indicates that the “*current proposals may not sufficiently reduce the queue size and may not enable material improvements to the connection dates of viable, Net-Zero-aligned projects*”. It references the July Connections Delivery Board and its focus on “*how the proposals for reform can go further*”.

Therefore, in line with this shift, this Alternative proposal seeks to go further in addressing existing projects by requiring all existing contracted projects, unless captured by the explicit project exemption above, to follow the new connections process (as per the ‘twin’ CMP434 Alternative proposal).

The project exemption provides a safeguard to projects that have *already* gone through a robust and competitive Government process, has been assessed as necessary, and successfully secured contracts on this basis. This safeguard seeks to avoid any adverse transitional impacts on these projects’ delivery programmes that may ensue from having to re-apply via the new CMP434 Alternative process.

For the purposes of completeness, below is a step-through of the Elements set out in CMP435 Original and the applicability of these individual Elements to the CMP435 Alternative proposal.

Table 1: Applicability of CMP435 Original’s Elements, 1-20

Element		Applicability to CMP434 Alternative proposal
1	Proposed Authority approved methodologies and ESO guidance	<p>It is proposed that the need for Gate 2 Criteria methodology and Project Designation methodology falls away under this CMP434 Alternative proposal.</p> <p>We suspect the Connection Network Design methodology would still be required as part of the CPP30 work. This (and any) methodology should be established in licence and have Authority oversight.</p> <p>We remain of the view that guidance is inappropriate given the inequity it establishes for the ESO’s counterparty in agreements / contracts.</p>
3	Clarifying which projects go through the Primary Process	The proposed Alternative is an amalgam of Element 3 for CMP434 and CMP435.

5	Clarifying any Primary Process differences for customer groups (i.e., offshore, DFTC)	Amended to accommodate project exemption.
8	Longstop Date for Gate 1 Agreements	Removed; superseded by financial commitment at Gate 2.
9	NESO designation	Removed; superseded by project exemption (as per this CMP435 Alternative proposal) or CPP30 <sup>1</sup> alignment and new Gate 1 criteria (as per 'twin' CMP434 Alternative proposal).
11	Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved	No longer needed. The full suite of CMP376 Milestones would apply to all eligible projects, (on- and offshore), after the Gate 2 offer is awarded.
13	Gate 2 Criteria Evidence Assessment	Replaced with financial commitment.
14	Gate 2 Offer and Project Site Location Change	No longer needed; projects will either retain their existing contract (as per this CMP435 Alternative proposal) or have information pertaining to their point of connection at the earlier Gate 1 (as per 'twin' CMP434 Alternative proposal).
16	Introducing the proposed Connections Design Methodology	Retained; we believe this helps with CPP30 <sup>1</sup> development.
19	Contractual changes	Redundant
20	Cut Over arrangements	Redundant

## What is the impact of this change?

### Proposer's Assessment against CUSC Non-Charging Objectives

Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	<b>Positive:</b> Prioritises connection for market designated projects and / or projects that align with the CPP30 (or any subsequent plans determined / supported by the UK Government / Authority), thereby enabling us to help the UK Government to meet its Net Zero targets.
(b) Facilitating effective competition in the generation and supply of	<b>Positive:-</b> Quicker connections for market designated projects (via competitive processes) and / or projects that align to the CPP30 (or any

electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	subsequent plans determined / supported by the UK Government / Authority) necessary to deliver Net Zero. Currently, project developers seeking to connect are experiencing significant delays, hindering progress in delivering Net Zero.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	<b>Neutral</b>
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	<b>Positive:</b> Addresses the current queue by allowing the ESO to 'filter' and connect projects based on those that are market designated and / or aligned with the CPP30 (or any subsequent plans determined / supported by the UK Government / Authority)
*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

### When will this change take place?

#### Implementation date:

As per the Original, Q2 2025.

#### Implementation approach:

As per the Original.

### Acronyms, key terms and reference material

Acronym / key term	Meaning
ESO	Electricity System Operator
TO	Transmission Operator
HND	Holistic Network Design (HND)
HND-FUE	Holistic Network Design Follow-Up Exercise
CfD	Contract for Difference
RFI	Request for Information
CPP30	Clean Power Plan for 2030