

**CUSC Alternative Form – Non Charging**

# CMP434 Alternative Request 26:

**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>.

This CMP434 Alternative proposal seeks to create a single process that will apply to new and existing projects<sup>2</sup>. It seeks to filter projects based on:

- (i) Gate 1 - system need (i.e., alignment with UK Government-backed plans); and
- (ii) Gate 2 - project commitment, plus recognition that, by securing grid connection, other project developers forgo the opportunity to connect their projects.

Projects are then subject to the full suite of existing Queue Management Milestones to ensure they progress.

This approach 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 minimise the period of uncertainty for investors.

Note: this Alternative proposal is based on current industry understanding of the Clean Power Plan for 2030 (CPP30), CMP434 Original and the three methodologies as of 10 September 2024 and prior to: (a) the ESO's industry meeting on 16 September 2024 (to discuss the CPP30 and the methodologies); (b) the publication of Ofgem's anticipated update letter; and (c) the ESO's financial instrument proposal. It is understood that items (b) and (c) will be published imminently.

**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](#)

<sup>2</sup> The 'twin' Alternative proposal (CMP435) sets out a project exemption from the requirements of CMP434 that allows certain existing projects to reserve the option to retain their existing (pre-connection reform) connection offer (i.e., connection location and connection date).

## What is the proposed alternative solution?

This Alternative proposal broadly retains the framework of CMP434 Original, i.e., it retains the concept of an Application Window and two formal gates (Gate 1 and Gate 2) as set out in CMP434 Original, but seeks to:

1. Introduce a clear link ('end point') between the projects that a reformed connections process needs to support / connect to deliver a secure energy system aligned with UK Government targets and plans;
2. Amend the scope of application of CMP434 by requiring all projects that want to be considered for CPP30-alignment (or alignment with any relevant Government-determined plan subsequent to the CPP30) to go through the same process;
3. Introduce two Application Windows per annum; and,

Given UK Government targets and plans, it seeks to:

4. Change the purpose and qualifying criteria of Gate 1 to signal to investors upfront what constitutes a UK Government-aligned project (i.e., what, where and/or when). In so doing, developers with a Government-aligned project are issued with a conditional Gate 1 offer (rather than an indicative Gate 1 offer, as per CMP434 Original); and
5. Change Gate 2's purpose and qualifying criteria by removing the requirement to secure land/seabed and expend development expenditure before receipt of a full and formal grid connection offer and replacing this with a demonstration of viability through financial commitment<sup>3</sup>.

### 1. **Establishing a clear end point**

Most of the Transmission capacity that will enable the delivery of 2030 targets will already exist, or be in development, or have been identified and approved. The key, therefore, is to ensure that this scarce and valuable network capacity is allocated to those projects that are most consistent with delivering a secure and sustainable decarbonised energy system in line with UK Government ambitions.

The DESNZ Secretary of State formally commissioned the ESO in August 2024 to “provide practical advice on achieving clean power by 2030 for Great Britain”<sup>4</sup> and, within this plan [the Clean Power Plan for 2030 (CPP30)] to provide “consideration of criteria that could support connections reform”. The ESO is asked to advise the Government on “a range of pathways that enable a decarbonised power system for Great Britain by 2030”. Following this advice (and as per industry understanding of the CPP30 as of 10 September 2024 and prior to the ESO’s industry meeting on 16 September 2024), the Government is expected to determine the plan adopted, i.e., the CPP30. The resulting Government-directed plan must be cognisant of investments necessary to deliver not only clean power, but a secure and stable clean power energy system. This is true of both the CPP30 and any subsequent plans.

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<sup>3</sup> We expect this to be taken forward via the ESO’s financial instrument proposal as per Workgroup Action 56.

<sup>4</sup> [SoS and Chris Stark letter to ESO providing advice on achieving clean power by 2030 for Great Britain \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

To support connections reform, this plan (and any subsequent plan) needs to be referenced in the code or, if the Authority is willing, the ESO's licence so that it is visible and can be utilised for connections allocation. The ESO's assessment of projects seeking to connect against the plan [as per section (4) below] could be set out in a document governed by the code or licence condition, whichever is appropriate.

The CPP30 is a 'stepping stone' to delivering the UK Government's longer-term economy-wide decarbonisation targets. For the avoidance of doubt, any reference to the CPP30 within this Alternative proposal should also be taken to mean 'or any plan as determined by the UK Government as being the relevant plan at the time the ESO is assessing connection applications'.

To mitigate the impact on investors and minimise the disruption to projects' development programmes that are targeting post 2030 delivery, it is also imperative that the plan beyond CPP30 is developed and made transparent to all stakeholders as soon as possible. The current expectation is that the successor to the CPP30, the Strategic Spatial Energy Plan (SSEP), will set out what new investment and infrastructure is needed to achieve the UK Government's targets beyond 2030 (to 2050). However, given that the SSEP is now reported to be delayed until the end of 2026<sup>5</sup>, we believe this means a further interim plan, or plans (e.g., a 'Clean Power Plan for 2035') is / are required to 'bridge the gap' and give clarity to investors and avoid a damaging hiatus in project delivery.

## **2. Applying the same process (this CMP434 Alternative proposal) to both new and existing projects (subject to the project exemption set out in the 'twin' CMP435 Alternative proposal)**

It is proposed that any projects connecting at Transmission (or whose connection will have a Transmission impact<sup>6</sup>) that want to be considered for CPP30-alignment, and is not deemed to have applied as a result of securing a Government Support Contract following connection reform 'go live' (i.e., Q2 2025), will be required to apply to the ESO through an Application Window as per the process set out herein.

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 and relevant secondary legislation (new or existing), including any amendments to facilitate carbon capture;
- Capacity Market contract issued in accordance with the Energy Act 2013 and relevant secondary legislation;
- Contract issued in accordance with the Energy Act 2023 and relevant secondary legislation (new or existing) pertaining to hydrogen; and

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<sup>5</sup> [Response to statutory consultation on National Energy System Operator licences and other impacted licences | Ofgem](#)

<sup>6</sup> This includes projects seeking connection via a Bilateral Embedded Generation Agreement (BEGA), Bilateral Embedded Licence exemptible Large power station Agreement (BELLA) and Appendix G offer.

- Agreement issued in accordance with a 'cap and floor mechanism' approved by the Authority.

The award of these Government Support Contracts is critical to projects' business case and viability and, going forward, it is reasoned that the award of these Government Support Contracts must align with the CPP30 (and any subsequent plans). Furthermore, awarding these contracts is subject to competitive market processes. As such, any project that is successful in any of these processes has already been subject to robust scrutiny and selected over other competing projects.

Given the need for urgent action, it is proposed that the very *first* Application Window following connection reform 'go-live' (i.e., Q2 2025) would follow an expedited timetable and close after [10] Business Days. Following this, within [30] Business Days of this first Application Window closing, the ESO would provide Gate 1 offers to successful projects that aligned with the CPP30 [as per section (4) below, '*Changes to Gate 1*'].

For all *future* Application Windows, it is proposed that the Application Window would close after [20] Business Days and the ESO would have [60] Business Days in which to provide Gate 1 offers to projects that aligned with the CPP30.

Following the ESO's assessment of CCP30 alignment [as per section (4) below] and the ESO and TOs' work to establish the coordinated network design, the ESO will issue a 'conditional Gate 1 offer' to successful projects.

#### *Deemed projects*

Any project that secures a Government Support Contract (as set out above) following connection reform 'go live' (i.e., Q2 2025) and prior to applying in an Application Window will be deemed to have applied in the next Application Window that is relevant to their connection delivery date after securing their Government Support Contract. These projects will automatically receive a conditional Gate 1 offer consistent with their Government Support Contract following the ESO's assessment of CPP30 alignment and the ESO/TOs' coordinated network design work after closing the relevant Application Window. This is predicated on the fact that, following the introduction of the CPP30, any future award of these Government Support Contracts must align with (and be recognised within) the CPP30 and, therefore, any projects in receipt of these contracts must meet the Gate 1 criteria.

#### *CPP30-aligned projects*

The conditional Gate 1 offer will set out the project's: (i) point of connection; (ii) connection date; and (iii) quantum of financial commitment required to secure its Gate 2 offer [as per section (5) below]. Acceptance by the project developer of the Gate 1 conditional offer is synonymous with the project having to meet Gate 2 and being liable to pay the requisite financial commitment within the prescribed timescales [as per section (5) below].

In the event of over-subscription<sup>7</sup> (see section (4) below), any projects that narrowly miss out on a conditional Gate 1 offer will be notified by the ESO as 'next in line'. This 'next in line' notification will include items (i) to (iii) above.

In the event that any projects holding a conditional Gate 1 offer fail to pay the requisite financial commitment to the ESO within the required timescales (i.e., the Gate 2 criteria), the ESO will promptly issue the 'next in line' project (or projects) with a conditional Gate 1 offer and allow them the opportunity to meet the Gate 2 criteria (i.e., payment of the financial commitment payment to an escrow account) within an expedited timeframe, i.e. [5] Business Days.

For the 'next in line' projects, it is proposed that where a directly connected Transmission project needs to be replaced because it has not made the financial commitment payment, this opportunity is (first) offered to 'next in line' directly connected Transmission projects. Similarly, where an embedded project needs to be replaced, this opportunity is (first) offered to 'next in line' embedded projects.

This conditional Gate 1 offer would be strictly limited to the projects next in line within the Application Window.

Projects that meet the Gate 2 criteria [as per section (5) below] are awarded by the ESO a full and formal Gate 2 offer as per the current arrangements. This would include the project's full suite of Queue Management Milestones (as per modification CMP376) and the obligation to meet the requisite securities and liabilities.

It is proposed that any project that is issued with a conditional Gate 1 offer that aligns with its application in terms of connection location and capacity, but fails to meet the Gate 2 criteria (by virtue of not making the financial commitment in time), be prevented from re-applying in the next Application Window. This opportunity for re-application, by such projects, re-opens with the subsequent Application Window.

Regarding existing securities / liabilities and noting the proposed treatment of these within the Original, it is proposed (within this Alternative) that any projects that:

- (i) held a confirmed contracted offer prior to the introduction of the transitional arrangements process from 2 September 2024 *and* which opts to participate in the *first* Application Window; or
- (ii) holds a Government Support Contract that means they will automatically receive a conditional Gate 1 offer in the *first* Application Window after 'go live' of this new process,

would not receive any securities / liabilities refunds until their Gate 1 application had been assessed for CPP30 alignment. Refunds would follow if a project is unsuccessful in this Gate 1 assessment, or, if successful at Gate 1 but does not meet the Gate 2 criteria. This is to avoid the inefficient refunding of securities / liabilities that these projects would have to pay as a result of meeting Gate 2.

**Note:** It may be appropriate to have a mechanism whereby a proportion or share of network capacity is ring-fenced and reserved within an Application Window (or for a longer period of time) for certain projects or category of projects, such as those

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<sup>7</sup> More capacity seeking to connect than the available network capacity can accommodate at that location at that moment in time.

associated with Community projects. Given the scarcity of network capacity and the challenging nature of UK Government targets, it is proposed that where this is the case, this is determined by the Authority and / or UK Government.

### **3. Introducing two Application Windows per annum**

By:

- (i) Clearly publishing upfront the system's need against the required timescales for delivery through the CPP30; and
- (ii) Giving the ESO the Gate 1 powers to 'sift' projects according to their alignment with the CPP30,

it is reasoned that the workload on the ESO/TOs with each Application Window is reduced. This is particularly true for the first Application Window following connections reform 'go live' (i.e., Q2 2025) when only the plan to 2030 is expected to be available. This is reflected in the reduced timescales proposed for the Application Windows and the ESO's response time to award conditional Gate 1 offers [as set out in section (2) above].

Consistent with this, it is proposed that two Application Windows are run each year.

By accommodating two Application Windows, the pressure of an annual Application Window is relieved. We believe this is particularly attractive to projects connecting at Distribution with Transmission impact. By doubling the frequency of the Application Window, it is proposed that all projects can more readily adhere to the exact requirements, i.e., the Application Window and subsequent Gates.

### **4. Changes to Gate 1**

The ESO, having identified what new network investment and infrastructure its expert analysis determines is necessary to deliver the CPP30, and following the close of the Application Window and the ESO's assessment and coordinated network design work, will formally notify developers (that have entered the process during the Application Window or are deemed to have entered [as per section (2) above]) whether their project aligns with the CPP30.

Projects that align in terms of their:

- Location;
- Delivery timescales;
- Any technology stipulations (to the extent these are set out in the CPP30); or
- Have secured a Government Support Contract;

Will be awarded a conditional Gate 1 offer.

For the avoidance of doubt, projects that apply but do not meet the CPP30 or do not have a secured Government Support Contract will not receive a conditional Gate 1 offer.

The ESO will need to assess whether potential projects in a location are oversubscribed before issuing a conditional Gate 1 offer to a CPP30 aligned project.

Suppose there is an over-subscription of non-Government Support Contracted projects in a location; in that case the ESO will designate which projects within an Application Window will be awarded a conditional Gate 1 offer according to set criteria.

For example, it is proposed that these criteria consider / include:

- Minimising total system costs;
- Maximising contribution to net zero targets;
- Minimising environmental impact;
- Least societal impact;
- Confidence over a project's ability to meet its Queue Management Milestones and deliver its project; and,
- For projects that held a confirmed contracted connection offer prior to 2 September 2024, the date at which this contracted connection offer was accepted.

The Gate 1 offer is conditional and sets out a project's:

- (i) point of connection;
- (ii) connection date; and
- (iii) quantum of financial commitment<sup>4</sup> required to secure its Gate 2 offer (which needs to be paid within the prescribed timeframe).

For the avoidance of doubt, projects that are awarded a Government Support Contract are not *required* to apply via the Application Window. After securing their Government Support Contract, they are automatically deemed to have applied in the next Application Window that is relevant to their connection delivery date. As such, they will receive a conditional Gate 1 offer following the ESO's assessment and coordinated network design work after the relevant Application Window has closed.

## 5. **Changes to Gate 2**

Having been awarded a conditional Gate 1 offer, it is proposed that the meeting of Gate 2 requires project developers that contract *directly* with the ESO or *indirectly* via a DNO or Transmission-connected IDNO to place funds commensurate with the quantum of financial commitment determined by the ESO (and notified to the developer in its conditional Gate 1 offer and/or via the ESO, DNO or IDNO as appropriate) into an escrow holding account.

This is consistent with the statement from Ofgem on 14 August 2024 and in particular its reference to "*[strengthening] the need for projects to demonstrate viability through financial commitments, ensuring only viable, committed projects can remain in the queue*"

For projects connecting indirectly via a DNO or Transmission-connected IDNO, the DNO/IDNO will need to be obligated to provide relevant information to the ESO.

Projects applying in the first Application Window following connection reform 'go live' in Q2 2025 will have [20] Business Days from receiving notification from the ESO (of the quantum of their financial commitment) to make payment into the escrow account and provide evidence of this to the ESO's satisfaction to meet the Gate 2 criteria (and receive a Gate 2 offer).

For all subsequent Application Windows, this time period will increase to [30] Business Days.

This expedited timeframe is appropriate given:

- (i) The urgency with which projects coming forward in the first Application Window will need to progress to meet the 2030 targets; and
- (ii) The financial nature of the new Gate 2 criteria (and the removal of the reliance on land / seabed as per CMP434 Original given concerns around scarcity rent for connections going to landowners<sup>8</sup>).

If a project with a Gate 2 offer does not subsequently progress to delivery (for example, it fails to meet a CMP376 Queue Management Milestone), it is proposed that any unspent funds held in the Gate 2 financial commitment escrow account would (subject to the deduction of relevant costs incurred by the ESO/TOs/DNOs/IDNOs) be returned to the project developer. The fact that these unspent funds are not lost from the energy system is a further strength of this proposal.

Note: It may be appropriate to have a mechanism whereby projects below a specific capacity (MW) threshold or that are community-owned could be considered for a *de minimis* exemption (from the Gate 2 requirement to demonstrate financial commitment) as determined by the Authority upon advice from the ESO (and, if relevant, DNO / Transmission-connected IDNO).

### What is the difference between this and the Original Proposal?

Since the publication of CMP434 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 CMP434 Original ('TM04+') 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 following the ESO's recent Request for Information (RFI) and indications 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 discussion at the July Connections Delivery Board and the focus on "*how the proposals for reform can go further*".

Therefore, in line with this shift, this Alternative proposal seeks to:

1. Introduce a clear link ('end point') between the projects that a reformed connections process needs to support / connect to deliver a secure energy system aligned with UK Government targets and plans;
2. Amend the scope of application of CMP434 by requiring all projects that want to be considered for CPP30-alignment (or alignment with any relevant Government-determined plan subsequent to the CPP30) to go through the same process;
3. Introduce two Application Windows per annum; and,

Given UK Government targets and plans, it seeks to:

4. Change the purpose and qualifying criteria of Gate 1 to signal to investors upfront what constitutes a UK Government-aligned project (i.e., what, where and/or when). In so doing, developers with a Government-aligned project are issued with

<sup>8</sup> [Will energy transition deliver bonanza for Scottish farmers? \(pressandjournal.co.uk\)](https://pressandjournal.co.uk)

- a conditional Gate 1 offer (rather than an indicative Gate 1 offer, as per CMP434 Original); and
5. Change the purpose and qualifying criteria of Gate 2 by removing the requirement to secure land / seabed and expend development expenditure before receipt of a full and formal grid connection offer and replacing this with a demonstration of viability through financial commitment.

For completeness, below is a step-through of the Elements set out in CMP434 Original and the applicability to these individual Elements to the CMP434 Alternative proposal.

*Table 1: Applicability of CMP434 Original’s Elements, 1-18*

Element	Applicability to CMP434 Alternative proposal
<b>1</b> Proposed Authority approved methodologies and ESO guidance	<p>It is proposed that the need for Gate 2 Criteria methodology falls away under this CMP434 Alternative proposal.</p> <p>It is proposed that both the Project Designation and Connection Network Design methodologies are still required, the latter being part of the CPP30 work. These (and any) methodologies should be established in licence and have Authority oversight.</p> <p>Guidance is considered inappropriate given the inequity this establishes for the ESO’s counterparty in agreements / contracts.</p>
<b>2</b> Introducing an annual application window and two formal gates	<p>Retained but amended.</p>
<b>3</b> Clarifying which projects go through the Primary Process	<p>Proposed Alternative is an amalgam of Element 3 for CMP434 and <a href="#">CMP435</a>.</p>
<b>4</b> Significant Modification concept	<p>Remains necessary but changes will be required.</p>
<b>5</b> Clarifying any Primary Process differences for customer groups (i.e., offshore, DFTC)	<p>No longer needed; all projects subject to the same process.</p>
<b>6</b> Setting out the process and criteria in relation to Application Windows and Gate 1 (inc. introducing	<p>This is relevant to new applications, but it is proposed that any project that held a confirmed contracted offer prior to and including 2 September 2024 that has land / seabed and / or planning does not require a LoA to make a new Gate 1 application.</p>

	an offshore LoA equivalent)	
7	Fast Track Disagreement Resolution process	n/a
8	Longstop Date for Gate 1 Agreements	Removed; superseded by financial commitment at Gate 2.
9	NESO designation	Removed; superseded by CPP30 <sup>1</sup> alignment and new Gate 1 criteria.
10	Connection Point and Capacity Reservation	It remains within STCP, but not the CUSC solution. Superseded by CPP30.
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 <a href="#">CMP376</a> Milestones would apply to all eligible projects after the Gate 2 offer is awarded (on- and offshore).
12	Setting out the general arrangements in relation to Gate 2	Retained but amended to accommodate two Application Windows and change in nature of Gate 2 criteria.
13	Gate 2 Criteria Evidence Assessment	Replaced with financial commitment.
14	Gate 2 Offer and Project Site Location Change	No longer needed; under this CMP434 Alternative proposal projects will have information pertaining to their point of connection at the earlier Gate 1 (rather than Gate 2, as per the Original).
15	Changing the offer and acceptance timescales to align with the Primary Process timescales	Retained.
16	Introducing the proposed	Retained; we believe this helps with CPP30 development.

	Connections Design Methodology	
17	Introducing the concept of a DFTC submission process	No longer needed. By increasing the number of Application Windows to two per annum, it is proposed that the need for forecasting between the Windows can be removed.
18	Set out the process for how DNOs and T-connected IDNOs notify the ESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet Gate 2 criteria	Retained but amended. DNOs and transmission-connected IDNOs will be required to notify the ESO that the Gate 2 criteria have been met.

**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> Includes a gated process that 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), enabling us to help the UK Government meet its Net Zero targets. Currently, project developers are waiting too long to connect, hindering progress to deliver Net Zero. Application windows allow a coordinated network design closely aligned with the ESO’s Centralised Strategic Network Plan and facilitate anticipatory investment to ensure transmission works are delivered efficiently.
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent	<b>Positive:</b> Quicker connections for market designated projects (via competitive processes) and / or projects that align to the CPP30 (or any subsequent plans determined / supported by the UK Government / Authority) necessary to deliver Net Zero. Currently, project

therewith) facilitating such competition in the sale, distribution and purchase of electricity;	developers seeking to connect are experiencing significant delays, hindering progress to deliver 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> By facilitating more coordinated and efficient network design for connections, this delivers benefits for customers and consumers as it allocates capacity more efficiently to projects that are market designated and / or aligned with the CPP30 (or any subsequent plans determined / supported by the UK Government / Authority). Further, studying connection applications in batches should lead to lower overall costs.
*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
CPP30	Clean Power Plan for 2030
DESNZ	Department for Energy Security and Net Zero
DNO	Distribution Network Operator
IDNO	Independent Distribution Network Operator
SSEP	Strategic Spatial Energy Plan
CfD	Contract for Difference