

Public

Nadir Hafeez

Ofgem

By email

Trisha McAuley OBE

Independent Chair CUSC & Grid Code Panel

Ren Walker

CUSC Panel Technical Secretary

10 January 2025

CMP405 request for Urgency letter

Dear Nadir,

Connection and Use of System Code (CUSC) Modification Panel Request for Urgency and Recommended Timetable for **CMP405: TNUoS Locational Demand Signals for Storage**.

On 10 November 2022, SSE Generation Ltd raised **CMP405**. The Proposer sent a request to the CUSC Panel Secretary on 17 December 2024 for this modification to change governance route, and as such be treated as urgent.

CMP405 seeks to amend the CUSC to to separate out the demand Year Round locational signals from Peak Security locational Signals and charge (reward) Storage which imports during times other than Triads.

All documentation for this modification can be located via the following link:

<https://www.neso.energy/industry-information/codes/cusc/modifications/cmp405-tnuos-locational-demand-signals-storage>

The CUSC Modifications Panel ("the Panel"), on 10 January 2025, considered the change of governance route for **CMP405** and the associated request for urgency. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends.

The Proposer set out their rationale for Urgency against Ofgem's Urgency criteria (**a**) which is as follows:

a) A significant commercial impact on parties, consumers or other stakeholder(s).

- This modification has a significant impact on consumers. Storage, and in particular long-duration storage, is a critical element in delivering a net zero carbon energy system, and

Public

CMP405 is an essential element in enabling the storage business model. Specifically, long-duration storage is particularly beneficial for enabling faster connection of wind generation that NESO and the TOs are currently struggling to achieve. The only currently realisable long-duration storage technology is pumped hydro, but unfortunately this has long project construction timelines, which makes it essential to provide investor confidence to enable construction to begin as soon as practically possible so that customers can realise the benefits it will deliver.

- Regarding commercial impact on parties, the lack of long-term certainty impacts projected revenues, (future Balancing Mechanism revenues are highly uncertain), and tends to either increase the financing costs of these projects or put them in jeopardy. Unfortunately, Long Duration Energy Storage (LDES) is a relatively niche technology with a minority of market participants developing this service. The impact of this modification will therefore be relatively large, but only for a relatively small number of Industry Parties. The large impact of this modification on affected parties, on its benefits to the GB System for Net Zero and its benefit for customers should be the deciding factor.

Panel Consideration of the Request for Urgency

The Panel considered the request for urgency with reference to [Ofgem Guidance on Code Modification Urgency Criteria](#). The majority view of the Panel is that **CMP405 does meet** Ofgem's Urgency criteria¹. Therefore, the recommendation of the Panel is that **CMP405 should be** treated as an Urgent CUSC Modification Proposal.

Panel members set out their rationale behind this decision:

- Some Panel members agreed with the reasoning behind the Proposer's recommendation for Urgency.
- A Panel member agreed that that the requirements to meet an urgent request have been demonstrated and that it satisfies the following assessment criteria "significant commercial impact on parties, consumers or other stakeholder(s)";". There is a compelling rationale that there is likely to be a significant impact to, in particular long-duration storage, if it does not proceed on an urgent basis. It is understood that the proposer is

¹ Ofgem's current view is that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

- a) A significant commercial impact on parties, consumers or other stakeholder(s); or
- b) A significant impact on the safety and security of the electricity and/or gas systems; or
- c) A party to be in breach of any relevant legal requirements.

Public

looking for a timely decision, which is more important than the implementation date. This will provide developers greater assurances when making investment decisions.

- A Panel member explained that, under the criteria for urgency, a modification must be linked to an imminent issue that would cause one of the three negative impacts. Irrespective of the impact of the modification, the Panel member doesn't believe the proposer has proved that the relevant issue is urgent – particularly in the incorrect linking of the modification to AR7, and in linking the modification to CMP440, which is a non-urgent modification itself. In fact, by the proposer's own request, the proposer would be happy were the modification given a higher priority but not urgency. The Panel member also believes that the modification would be better to wait for the conclusion of the delayed battery storage sub-group before proceeding. As such, the Panel member does not agree with the proposer's urgency request.
- A view of a Panel member was that CMP405 is mainly focused on energy storage which cannot bid into the CFD. SSE provided a tenuous link that a signal for storage to locate in Scotland would reduce the risk of the windfarm business case, although the Panel member does not think this is sufficient grounds for urgency. Although this could have an impact on commercial decisions in relation to the LDES Cap and Floor regime, it is still unclear what the timeline is for it being introduced. SSE did not provide sufficient evidence of how this modification may interact with the LDES cap and floor and the timeline required for it to have a material impact on the commercial decisions companies are making. SSE did not provide sufficient evidence to quantify the commercial impact on generators or consumers. It is unclear how granting Urgency to CMP405 will influence the Review of Energy Market Arrangements (REMA). If Zonal pricing is approved, there will be a process to create the required legal text/ changes to energy codes and the timeline for the implementation is not clear and certainly not expected to be completed this year. It is the Panel's responsibility to set a high bar for proposers to prove the materiality of any commercial impact as part of an urgent request. Where possible, this should be quantitatively assessed for transmission charging-related mods and provided in the urgency letter or presentation to the Panel. The Panel member agrees that CMP440 and CMP405 are looking at a similar defect, and it is appropriate that the Panel review the priority of CMP405 at the next Panel Meeting. A request of the Panel member was if SSE and code admin could further consider if these two modifications can be progressed together more efficiently.
- A Panel member stated that the CP30 plan; requirement for expediency of storage technology in particular, and LDES timescales (including link with the status of CMP444), will have a significant impact on investor confidence from the dependency on financial impact from investment decisions and a consequent impact on consumers overall.
- A view of a Panel member was that the cap and floor on LDES indicates urgent consideration of this issue.
- A Panel member stated that Ofgem has clearly indicated that it intends to move at pace on development of the cap and floor regime for LDES, with assessment commencing from Q3 2025. CMP405 is a critical issue for potential LDES developers, particularly in locations where generation TNUoS is high and floored demand TNUoS is materially negative. As a

Public

result, CMP405 will have a significant commercial impact on parties seeking to participate in the first LDES cap and floor allocation round. By extension, if CMP405 is not progressed ahead of the first LDES allocation round, developers with assets in the far North of Scotland will be less likely to participate and/or less likely to be awarded a cap and floor. This would lead to a sub-optimal outcome from the cap and floor allocation, as noted by LCP Delta and Regen in their Scenario Deployment Analysis for Long-Duration Electricity Storage (<https://assets.publishing.service.gov.uk/media/659be546c23a1000128d0c51/long-duration-electricity-storage-scenario-deployment-analysis.pdf>, page 113): "restricting build in Scotland for LDES technologies in any way is likely to reduce benefits that LDES can bring to the GB power system." Ultimately, if CMP405 is not considered ahead of the first cap and floor allocation round, the barrier to LDES in Scotland which TNUoS represents will have a material impact on consumer costs.

- A Panel member noted that reference has been made to certainty being required for storage projects, and Long Duration Storage in particular, but no specific deadlines have been elaborated upon that these projects need to meet, which requires an urgent assessment. There would appear to be a case for CMP405 to be assessed as a high priority modification, however, alongside CMP440 which proposes a similar approach for non-storage demand projects. It has also been suggested that CMP405 is needed urgently to form part of a counterfactual solution to REMA. This isn't the case, and the modification can be assessed under the normal process to meet this objective. Indeed, from a REMA perspective it should be considered in similar timescales as other charging modifications which could also form the basis of an enhanced National market. There is nothing specific about the proposal compared with other modifications that requires urgent assessment ahead of them. Indeed, CMP444 has been raised urgently with the express rationale to limit future changes in charges until these other change proposals can be progressed and, if appropriate, implemented. This allows these more enduring changes to be assessed in a more considered and thorough manner. CMP405 could have a significant impact on the market. However, it won't have a significantly different impact if assessed urgently compared with a non-urgent process.

Procedure and Timetable

The Panel discussed an appropriate timetable for **CMP405** in the instance that urgency is granted.

The Panel agreed that **CMP405** subject to Ofgem's decision on Urgency should follow the attached Code Administrator's proposed timetable (Appendix 1 **Urgent recommendation**). In Appendix 2 of this letter, the Code Administrator has also provided the timeline if this follows standard timescales with the assumption that Panel prioritise this high in the prioritisation stack.

Panel noted that if urgency is required, there would be;

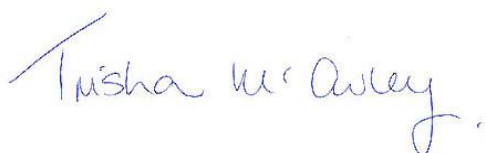
Public

- A Workgroup Consultation period of less than 15 Business Days
- Code Administrator Consultation period of less than 15 Business Days
- There would be less than 5 clear Business Days between publication of the Draft Final Modification Report and Panel’s recommendation; and
- There would be less than 5 clear Business Days for Panel to check that their Recommendation Vote had been recorded correctly

Under CUSC Section 8.24.4, we are now consulting the Authority as to whether this Modification is an Urgent CUSC Modification Proposal.

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response

Yours sincerely



Trisha McAuley OBE

Independent Chair of the CUSC and Grid Code Panel

Ren Walker

CUSC Panel Technical Secretary

Appendix 1 – Urgent Timeline

Modification Stage	Date
Modification presented to Panel	10 January 2025
Ofgem grant Urgency	16 January 2025 (5pm)
Workgroup 7 – Workgroup 9 (assuming Ofgem have granted Urgency)	27 January 2025 05 February 2025 13 February 2025
Workgroup Consultation (4 business days)	19 February 2025 – 26 February 2025
Workgroup 10 – Workgroup 12 (Assess Workgroup Consultation Responses and Workgroup Vote)	03 March 2025 10 March 2025 14 March 2025
Workgroup Report issued to Panel (5 business days)	20 March 2025

Public

Panel sign off that Workgroup Report has met its Terms of Reference	28 March 2025
Code Administrator Consultation (6 business days)	31 March 2025 – 08 April 2025
Draft Final Modification Report (DFMR) issued to Panel (2 business days)	14 April 2025
Panel undertake DFMR recommendation vote	17 April 2025
Final Modification Report issued to Panel to check votes recorded correctly	17 April 2025
Final Modification Report issued to Ofgem	17 April 2025
Ofgem Decision	September 2025
Implementation Date	01 April 2026

Appendix 2 – Standard Timeline

Modification Stage	Date
Modification presented at Panel	25 November 2022
Workgroup nominations (15 business days)	28 November 2022 – 19 December 2022
Workgroup 1	13 January 2023
Workgroup 2	16 February 2023
Workgroup 3	10 August 2023
Workgroup 4	09 November 2023
Workgroup 5	11 December 2023
Workgroup 6	07 February 2024
Workgroup 7	27 January 2025
Workgroup 8	17 February 2025
Workgroup 9	05 March 2025
Workgroup Consultation (15 business days)	10 March 2025 – 28 March 2025
Workgroup 10	11 April 2025

Public

Workgroup 11	28 April 2025
Workgroup 12	12 May 2025
Workgroup Report issued to Panel (5 business days)	17 June 2025
Panel sign off that Workgroup Report has met its Terms of Reference	27 June 2025
Code Administrator Consultation (15 business days)	07 July 2025 – 25 July 2025
Draft Final Modification Report (DFMR) issued to Panel (5 business days)	21 August 2025
Panel undertake DFMR recommendation vote	29 August 2025
Final Modification Report issued to Panel to check votes recorded correctly	29 August 2025
Final Modification Report issued to Ofgem	24 September 2025
Ofgem Decision	TBC
Implementation Date	TBC

Appendix 3 – Panel Urgency Vote

See separate attachment