Public

CUSC Modification Proposal Form

CMP448: Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

Overview: This proposal establishes a framework to introduce an additional financial requirement on developers, that can be activated if required. It aims to incentivise the timely removal of any projects that have become unviable from the connections queue, facilitating more timely and efficient connection of viable projects. In doing so, it will support progress towards clean power by 2030 ("CP30") and net zero targets.

Modification process & timetable

1. **Proposal Form**
   06 February 2025
2. **Workgroup Consultation**
   24 March 2025 – 31 March 2025
3. **Workgroup Report**
   27 May 2025
4. **Code Administrator Consultation**
   03 June 2025 – 10 June 2025
5. **Draft Final Modification Report**
   16 June 2025
6. **Final Modification Report**
   20 June 2025
7. **Implementation**
   Q1 2026

Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: HIgh impact
on Developers, Generators, Transmission System Operators, Interconnectors, Consumers

Proposer's recommendation of governance route	Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)	
Who can I talk to about the change?	**Proposer:** Ash Adams Ashley.Adams2@nationalenergyso.com	**Code Administrator Contact:** Cusc.team@nationalenergyso.com

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What is the issue?

There is a clear and urgent need to reform Great Britain's electricity connection process. Many projects are currently waiting too long to connect to the transmission network, and this is hindering progress towards CP30 and ultimately net zero. This proposal is in line with the Connections Action Plan (CAP)[1] initiatives that Ofgem and DESNZ are proposing to speed up connection queue timescales and forms part of a wider suite of connections reforms that aim to:

i) enable the more timely and efficient connection of projects to the grid;
ii) better facilitate the delivery of decarbonisation plans; and
iii) reduce costs across the value chain to the ultimate benefit of end consumers.

CMP434[2] and CMP435[3] are in-flight modifications that, if approved, will introduce the concept of a Gate 2 connections queue[4]. Should these modifications be approved, when a project enters the Gate 2 queue[5] it will be provided with connection capacity. Connection capacity is a scarce resource and may require significant network investment. Some projects offered a place in the Gate 2 queue, that have met the 'readiness criteria'[6] may become less viable over time due to a range of factors. These could include changing cost assumptions, changing risk appetites, changing market arrangements or financing issues.

Currently, User Commitment[7] is required from customers under Section 15 of the Connection and Use of System Code (CUSC)[8] to demonstrate that a developer is committed to developing its scheme. It does this by obliging a developer to secure a cancellation charge, and pay it in certain cases.[9] This in turn helps protect other users from costs associated with the cancellation of projects in the connections queue.

NESO is concerned that, given the increased priority and challenges in delivering this connections queue, the existing framework does not (nor was designed to) provide a sufficient financial incentive for developers to reflect on the viability of their projects in a regular and timely manner. Further, developers may not be sufficiently incentivised to either exit the connections queue or sell their project to a more committed developer in a timely manner if they do not intend to progress the project themselves.

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[1] Connections Action Plan - https://assets.publishing.service.gov.uk/media/6581730523b70a000d234bb0/connections-action-plan-desnz-ofgem.pdf
[2] CMP434: "Implementing Connections Reform" - https://www.neso.energy/industry-information/codes/cusc/modifications/cmp434-implementing-connections-reform
[3] CMP435: "Application of Gate 2 Criteria to existing contracted background" - https://www.neso.energy/industry-information/codes/cusc/modifications/cmp435-application-gate-2-criteria-existing-contracted-background
[4] Although CMP434 and CMP435 are not approved at time of writing, for the purposes of this proposal, approval has been assumed. Should CMP434 and/or CMP435 not be approved this proposal will be reconsidered.
[5] When a User first signs a Gate 2 contract.
[6] See Gate 2 Criteria Methodology - https://www.neso.energy/document/346656/download
[7] Introduced in 2013 via CUSC change proposal CMP192, the User Commitment framework has not been altered since it entered into force.
[8] CUSC Section 15: User Commitment Methodology - https://www.neso.energy/document/91416/download
[9] For example, in the event of cancellation, delay, or reduction in capacity.

Through the Queue Management process, projects will be terminated if they do not progress quickly enough and fail to meet milestones. However, Queue Management serves as a backstop to remove projects that cannot successfully demonstrate that they have met User Progression Milestones within the allotted timeframe. They do not encourage developers to proactively assess the viability of their projects on a regular basis and proactively leave the queue if necessary.

The longest period between User Progression Milestones is between Gate 2 entry and User Progression Milestone 1: Initiated Statutory Consents and Planning Permission (Milestone 1). During this period, projects are less likely to be exposed to significant User Commitment sums. Consequently, this is the stage where a project can occupy the queue for the longest duration, while also facing the least incentive for proactive and timely withdrawal.

There are several in-flight connections reforms progressed thus far; these include:

- CMP434 – "Implementing Connections Reform" – seeks to introduce new processes and definitions to enable projects to progress more rapidly to connection including the introduction of Gate 1 and Gate 2 and amendments to Queue Management Milestones.
- CMP435 – "Application of Gate 2 Criteria to existing contracted background" – seeks to apply Gate 2 criteria to all existing contracted parties before they are provided with confirmed connection dates and locations.
- CMP446 – "Increasing the lower threshold in England and Wales for Evaluation of Transmission Impact Assessment"[10] - seeks to raise the lower Transmission impact threshold from 1MW to 5MW in England and Wales.

Should these reforms be implemented, they will have a positive effect on the efficiency of the connections queue. However, the lack of a more focused financial incentive to regularly review project viability, particularly in the period between meeting Gate 2 and User Progression Milestone 1, remains a potential gap. This could cause detrimental impacts to developers of other projects with connection dates further in the future and therefore progress towards CP30 and other decarbonisation plans.

Scope

For the reasons outlined above, NESO views the period between Gate 2 entry and Milestone 1 as the period that carries the highest risk of projects failing to progress appropriately and persisting in the queue for longer than necessary. The defect that this modification seeks to address is limited to that period of time. The proposal has therefore been designed to apply only to projects in this phase of development.

The defect that we have identified does not relate to how the existing User Commitment framework, or User Progression Milestones work. These serve different purposes to the intent of this modification, respectively to cover TO liabilities and provide backstop termination milestones. This modification is not intended to amend these arrangements. Instead, the focus of this modification is to introduce additional arrangements that complement the existing arrangements.

Currently, we believe that this defect is limited to generation projects. Distribution Connected Demand connections triggered by Distribution Network Operators ("DNOs") and Directly Connected

[10] CMP446: "Increasing the lower threshold in England and Wales for Evaluation of Transmission Impact Assessment" - https://www.neso.energy/industry-information/codes/cusc/modifications/cmp446-increasing-lower-threshold-england-and-wales-evaluation-transmission-impact-assessment-tia

Demand are therefore out of scope of this modification. These parties secure on the basis of the final sums methodology. The final sums methodology stipulates that the customer party would secure all spend associated with their project as it progresses. We are therefore of the view that the security requirements of the final sums methodology currently provide a material financial commitment to development and sufficient assurance of commitment when allocating connection capacity.

However, we are aware that CUSC modification CMP417: "Extending principles of CUSC Section 15 to all Users"[11] seeks to extend the principles of CUSC Section 15 "User Commitment Methodology" to Users on Final Sums methodology, resulting in all Users being on the User Commitment Methodology. Depending on the outcome of this modification, we may raise a further and separate modification in the future to consider broadening the application of the PCF (if approved) in order to ensure appropriate financial incentives for all Users between Gate 2 entry and User Progression Milestone 1.

The creation or amendment to any termination fees or securities associated with Distribution Connected Demand connections triggered by DNOs and Directly Connected Demand are therefore out of scope of this proposal.

For the avoidance of doubt, the proposal will apply to small, medium and large distribution connected generation who are themselves party to agreements under CUSC[12] or are otherwise captured through the CUSC process which evaluates the impact of such connections on the National Electricity Transmission System and the agreements with the distribution network operators. The CUSC evaluation process only applies to certain sizes of distribution connected generation and in line with this and the current levels, this means that this proposal will apply to distribution connected generators in England and Wales greater than 1MW or in mainland Scotland greater than 200kW (or greater than 50KW if connecting in the Northern Scottish Islands).[13]

Why change?

The current connections queue is oversubscribed, with customers seeking network connections experiencing significant lead times as a result. The queue stands at 592 Gigawatts (GW) at 28 January 2025[14] across transmission only, or approximately 770 GW including distributed generators, much more than the likely amount of electricity generation that GB is predicted to need by 2050.[15] At present, it's also unclear how many of those queued projects will ultimately connect and in the

[11] CMP417: "Extending principles of CUSC Section 15 to all Users" - https://www.neso.energy/industry-information/codes/cusc/modifications/cmp417-extending-principles-cusc-section-15-all-users
[12] BEGA and BELLA
[13] CMP446 is in flight and the TIA threshold may change subject to the outcome of the modification. The proposal will apply to all distribution connected generation that go through the TIA process regardless of the outcome of CMP446.
[14] The transmission queue can be found on our website, https://www.neso.energy/industry-information/connections/reports-and-registers while the distribution queue can be found on each DNOs website
[15] See Page 10 of Future Energy Scenarios: Pathways at a Glance for estimates of Total installed capacity (https://www.neso.energy/document/321046/download)

context of a number of recent Government policy announcements,[16] reform is vital to facilitate clean power by 2030 and subsequently meet net zero as planned.

NESO has taken action to reform the grid connections processes. CMP376: "Inclusion of Queue Management process within the CUSC"[17] introduced a right for NESO to terminate contracted projects that are not progressing against agreed milestones. This represented a step away from the first-come first-served system. CMP427 "Update to the Transmission Connection Application Process for Onshore Applicants"[18] introduced an additional Letter of Authority requirement to reduce the number of speculative connection applications. More recently, CMP434, CMP435 and CMP446 are live change proposals which aim to further reform and improve the connections process.

Through Queue Management, unviable projects will eventually be terminated if they fail to meet queue milestones, but even where projects stay in the queue for a short time, they are holding capacity that could be allocated to a more viable project.

Without an additional incentive on developers to either: i) sell their projects on to a more committed developer; or ii) terminate the connection agreement and exit the connection queue in a timely manner when they no longer intend to progress their projects, there is the potential for unviable projects to block the queue for longer than necessary and risk connection delays to other ready and committed projects that have been given later connection dates as a result. Without further changes, we believe that this behaviour has the potential to become a problem that will not be addressed appropriately even after the wider suite of connections reforms proposed so far are implemented. By acting now, we can ensure that we are able to act at pace to address this issue should it materialise once the prior mentioned reforms are in place.

Impact

NESO believes that should the Progression Commitment Fee outlined within this proposal be activated, the additional fee, payable on termination between Gate 2 entry and Milestone 1, will ensure that during the period of highest risk of unviable projects remaining in the connections queue:

- There is an incentive for developers of projects that have become unviable to self-select out of the queue in a timely manner.
- There is an incentive for developers who are no longer committed to progressing viable projects to sell them to a committed developer, in a timely manner.

By providing such incentives there will be a positive impact on committed project developers, consumers, and wider investors in the GB energy system by limiting connection delays, wasted resources and inefficient allocation of scarce network capacity. With this in mind, NESO considers

[16] 1) a new Mission Control tasked with accelerating the UK to clean power by 2030; 2) the introduction of Great British Energy, a new publicly owned company which will own, manage and operate clean power projects; and 3) a lift on the ban for onshore wind projects in England.
[17] CMP376: "Inclusion of Queue Management process within the CUSC" entered into force in November 2023. https://www.neso.energy/industry-information/codes/cusc/modifications/cmp376-inclusion-queue-management-process-within-cusc
[18] CMP427: "Update to the Transmission Connection Application Process for Onshore Applicants" https://www.neso.energy/industry-information/codes/cusc/modifications/cmp427-update-transmission-connection-application-process-onshore-applicants

that this proposal is required to enable efficient and economical progress towards GB's decarbonisation goals.

What is the proposer's solution?

Background

On 11 October 2024, NESO took an initial proposal for a "financial instrument" CUSC modification to the Transmission Charging Methodologies Forum ("TCMF").[19] We received a lot of useful and constructive feedback from stakeholders during the forum and following it. On 05 November 2024 we then issued a Call for Input[20] to take on board further stakeholder views prior to raising this CUSC modification.

132 responses were received to the Call for Input and the feedback has been used to help refine this proposal. Responses to the Call for Input highlighted the following common themes and issues that we have looked to address:

- Although an additional financial requirement would likely encourage the timely self-removal of unviable projects from the connections queue, it would raise the hurdle to entry for all projects, including those that are viable and committed to development. To help address this, we have amended the proposed solution so that any additional financial requirement will remain dormant providing the Gate 2 to Milestone 1 queue remains in good health and will only be activated if and when required. This will ensure that the impact of the proposal is only realised where there remains an issue with queue health.
- The proposed value was too high and could represent a barrier to entry for viable projects. This has been addressed by lowering the maximum potential liability per MW that a project could be exposed to upon termination or reduction in capacity.
- The planning process presented too high a risk for developers to secure large sums at the early stages of project development. Further, respondents were of the view that achieving User Progression Milestone 2: Secured Statutory Consents and Planning Permission, is out of a developers control to a certain extent. We have sought to address this by amending the applicable period to only the pre-planning stage.
- An upfront liability created a perverse incentive for projects in the queue to remain in it rather than leave. This feedback has been addressed in this proposal by changing the profile of the fee from a flat rate, to one that is initially set at a lower amount and then increases every six months thereafter. In addition, our proposal is now for the fee to only apply if and when it is activated in accordance with a defined trigger event.

Solution Overview

This proposal will introduce a new fee payable on termination or reduction in capacity, the "Progression Commitment Fee" ("PCF"). The PCF will initially be dormant and it will remain dormant unless a defined trigger is met, at which point it may be activated, subject to decisions to proceed by NESO and Ofgem. If the PCF is activated, it will be applicable to all projects that hold Transmission

[19] The slide pack presented at TCMF: https://www.neso.energy/calendar/adhoc-session-transmission-charging-methodologies-forum-tcmf-11102024
[20] Financial Instrument Call for Input Document: https://www.neso.energy/document/346826/download

Entry Capacity ("TEC"), Developer Capacity[21] ("DC") or Interconnector Capacity ("IC") and have accepted a Gate 2 contract offer and not passed Queue Management Milestone 1. The PCF applicable to a project will have an initial value of £2,500/MW. The value of a project's PCF will then increase at a rate of £2,500/MW at 6 monthly intervals up to a maximum of £10,000/MW for any individual project. Projects will be liable for the full value of their PCF upon termination of the project (or the appropriate portion of the PCF upon reduction of capacity) prior to successfully demonstrating achievement of Milestone 1.

If the PCF is activated, developers of projects between Gate 2 and Milestone 1 will be required to post a security against the PCF, the "Progression Commitment Fee Security" ("PCFS"). The PCFS must remain in place until the developer successfully demonstrates that the project has achieved Milestone 1. After achieving Milestone 1, developers will no longer be subject to the PCF if they terminate and there will no longer be a requirement to secure against the PCF.

Triggering the Activation of the PCF

Upon implementation of the modification the PCF will initially be dormant and set at a rate of £0/MW. It will remain dormant unless a metric, which is indicative of the health of the connections queue exceeds a defined threshold. The metric will measure the cumulative project MWs that are "terminated"[22] from the Gate 2 connections queue as a result of failing to meet Milestone 1. Any project MWs that are subsequently replaced by another project (or projects) with a connection date within 12 months of the connection date of the original project, will be excluded from the metric. This metric will be referred to as the "trigger metric".

Following termination, what qualifies as replacement capacity for the purposes of the trigger metric will be assessed by NESO based on a number of factors including, but not limited to, the location and technology type of the replacement connection in relation to the original. If no replacement capacity can be identified within six months, the terminated capacity will be included in the trigger metric.

The trigger metric will be measured from the date of implementation to 31 December 2030 inclusive, the "initial metric period" and then for each five-year period thereafter. NESO will measure the trigger metric at six monthly intervals, the "measurement point" and publish this data.

The "trigger threshold" will be set at a cumulative total of 6000MW for the initial metric period, which is the approximate equivalent of 5% of the additional capacity (capacity that is not already installed) that is required to be connected before the end of 2030 in order to meet CP30 targets. If the PCF is not activated by the end of the initial metric period, the trigger threshold will be reviewed by NESO ahead of each subsequent 5-year period.

If at any measurement point, the published trigger metric is greater than 6000MW, the trigger threshold will have been deemed to be met. The trigger threshold is based on a cumulative total. Therefore, once it has been met, there will be no opportunity for the trigger metric to fall back below this threshold at future measurement points.

If the trigger threshold is deemed to have been met at any measurement point, NESO will have the option to activate or not activate the PCF. Within 1 month of the trigger threshold being met, NESO

[21] The PCF will be applied to projects with Developer Capacity through the agreements between NESO and the DNO or iDNO.
[22] Project terminations will be regarded as such in line with existing arrangements and guidance

will notify Ofgem of its decision to activate, or not to activate the PCF. We propose that Ofgem should then have power to override NESO's decision (subject to Ofgem agreement) within 2 months of being notified. For the avoidance of doubt, there will be no ability of any party to activate the PCF unless the trigger threshold is first met.

User Liability Post PCF Activation

If the trigger threshold is met and the PCF is activated, Users will be provided a notice period of at least 3 months from the date of Ofgem's decision, after which the PCF will increase to £2,500/MW. If a User decides to remove the project from the connections queue or reduce its capacity within this period, they will not be liable for the PCF upon termination or reduction in capacity. If a User wishes for their project to remain in the connections queue beyond this period, they will be required to post the PCFS against the PCF.

For the avoidance of doubt, even if a User does not have to pay any PCF, they will still be liable for the applicable cancellation charge as per the current arrangements.

Once the PCF has been activated, it will increase at a rate of an additional £2,500/MW every six months up to a maximum cap of £10,000/MW. Any new pre-Milestone 1 projects entering the Gate 2 queue post activation of the PCF will be liable for a PCF equal to £2,500/MW at the time of entering the Gate 2 queue, this will then increase in line with the six-monthly periods described above. The PCF for a project entering the Gate 2 queue post activation of the PCF may therefore rise to £5,000/MW at a point in time between zero and six months after entry to Gate 2. Subsequent increases will then be every six months.

Developers will be required to increase their PCFS in line with the PCF that they would be invoiced for upon termination. They will need to ensure that the appropriate PCFS remains in place until they successfully demonstrate that the project has achieved Milestone 1. After Milestone 1 the PCF will no longer be applicable. To ensure consistency across security requirements, we propose to apply the provisions of security currently outlined in Section 15: User Commitment Part 3, Para. 4, 5 & 6 to the PCFS.

In the event that a project exits the Gate 2 queue before successfully demonstrating that it has achieved Milestone 1, the project developer will be invoiced for the PCF. If a project reduces its capacity during the same period, it will be invoiced for a pro-rated PCF based on the capacity reduction. If a developer does not pay the PCF, NESO will draw upon the PCFS.

If a developer does not pay the PCF that it is liable for and if the PCFS is less than the PCF, NESO will draw upon the entire security. Any difference between the total liability due and security held may be pursued by NESO.

Any increase in the cash position of NESO as a result of the PCF shall be redistributed to network users via TNUoS charges.

Capacity Reduction

If a developer reduces its TEC, DC or IC down to a revised TEC ("RTEC"), revised DC ("RDC") or revised IC ("RIC"), then then the developer will be liable to pay a portion of the applicable PCF proportionate to the reduction in capacity as follows:

(applicable PCF x (TEC, DC, or IC)) - (applicable PCF x (RTEC, RDC or RIC))

NESO will draw upon the PCFS if a developer does not pay the portion of the PCF that it is liable for upon capacity reduction.

Once the developer has paid the amount that it is liable for, the PCF will be recalculated in line with its revised TEC, DC or IC.

Draft legal text

Draft legal text to be agreed in the Workgroup phase.

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 by this licence*;	Positive The proposal introduces a mechanism that will accelerate the connection of readier and/or more viable projects facilitating progress towards net zero targets. Currently, committed developers of viable projects may be waiting too long to connect as a result of non-viable projects ahead of them in the connection queue, hindering progress to deliver net zero. This proposal allows NESO to quickly activate a PCF when evidence suggests that it is required. This will enable quicker connection of viable projects, a more efficient and coordinated network design and act as a safeguard to ensure transmission works can be delivered more efficiently.
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	Positive Currently viable projects may be held up by less viable projects that are ahead of them in the connections queue. Incentivising the removal of these blockers will aid quicker connection for viable projects. Competition in electricity generation could increase at a quicker rate and facilitate delivery of net zero in a more cost efficient way.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral None
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive

	The proposal will accelerate the removal of unviable projects from the connections queue reducing the size and increasing the health of the whole queue. This will reduce the inefficiency associated with administering the applications of unviable projects.

** See Electricity System Operator Licence*

***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.*

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories	
Stakeholder / consumer benefit categories	**Identified impact**
Improved safety and reliability of the system	Positive The proposal will facilitate quicker connection of projects in the areas they are needed. We expect this to bring benefits to consumers, including increased security of supply.
Lower bills than would otherwise be the case	Positive The proposal will facilitate earlier connection dates for projects than may otherwise be the case leading to cost savings for developers and greater efficiencies in the planning and connections processes. These benefits will ultimately result in a reduction in end consumer bills.
Benefits for society as a whole	Positive Societal benefits will be realised by the proposal by way of a reduction in consumer bills and facilitating accelerated progress towards decarbonisation targets.
Reduced environmental damage	Positive Currently viable projects may be delayed in connecting due to less viable projects taking up space in the connections queue. This proposal will facilitate the earlier removal of less viable projects from the queue and the quicker connection for viable projects than would otherwise be the case. This will be vital to deliver net zero and to help the government achieve CP30 targets.
Improved quality of service	Positive This proposal will ensure that resources are allocated progressing the most viable projects, facilitating faster connection times and ultimately an improved quality of service.

When will this change take place?

Implementation date

The intention that this proposal is implemented in advance of Gate 2 offers being issued (subject to the approval of CMP434 and CMP435). This would ensure that the provisions within the proposal could be included in all Gate 2 contracts before they are issued, and the maximum benefit of the proposal can be achieved.

If urgency is not granted and this proposal cannot be implemented in advance of Gate 2 offers being issued, we would still seek to progress the modification, but a significant portion of the intended benefit may not be realised.

If CMP434 and CMP435 are not approved, this proposal will be reconsidered.

Date decision required by

A decision date prior to the proposed Gate 2 offers being issued is requested to allow the full benefit of the proposal to be realised.

Implementation approach

The proposal would need to be designated as Urgent by the Authority if it is to be implemented prior to Gate 2 offers being issued and applied to all projects between entrance to Gate 2 and Milestone 1. Only then will it be able to fully achieve its stated intent.

NESO system changes will be required to monitor the trigger metric prior to activation. Post activation systems will be required to track and collect applicable project liabilities.

Proposer's justification for governance route

Governance route: Urgent modification to proceed under a timeline agreed by the Authority (with an Authority Decision)

In seeking urgency, we are mindful of Ofgem's Urgency Criteria. In our view, this is an imminent issue that if not urgently addressed will have "a significant commercial impact on parties, consumers or other stakeholder(s)" and therefore meets Ofgem's Urgency Criteria (a).

This proposal is being raised as part of a suite of Connections Reform modifications to further the Connections Action Plan ("CAP") initiatives that Ofgem and DESNZ are proposing to speed up connection queue timescales.

The "Raise entry requirements" section of the CAP specifically considers the need for increased financial requirements for attaining a connection or holding connection capacity. Further noting that their "[…] initial view is that increasing financial requirements, particularly, merits strong and rapid consideration to ensure financial incentives to secure and hold capacity are appropriately set."

In addition, one of the desired outcomes of the CAP is "Connections reforms delivered with a high degree of confidence in quality, pace, ambition and coordination of reform delivery, ensuring greater and faster impact of connection reform in reducing connection times as well as lower system and/or connection costs."

This proposal will introduce a mechanism that could introduce an additional fee for projects that terminate prior to User Progression Milestone 1. The mechanism will only be triggered if there could be an unacceptable number of unviable projects in the Gate 2 queue. At that point, it will be crucial that the PCF can be activated quickly, exposing the pre-Milestone 1 projects to a material financial commitment. If it is not activated at pace, unviable projects could further prevent viable projects from connecting sooner.

Therefore, we believe that the proposal, if implemented, will support Ofgem's ambition to raise the entry requirements to deter speculative connection applications and will have a beneficial effect on connection times and connection costs for committed connection applications.

Our aim is to provide developers full visibility of their financial obligations at the time they sign Gate 2 offers. We are therefore requesting urgency for this proposal on the basis that this imminent issue should be addressed prior to the proposed Gate 2 offers being issued.

Without an urgent timeline for this modification, a significant element of uncertainty is introduced for developers at the time Gate 2 offers are signed. Additionally, a significant portion of projects in the Gate 2 queue that could have contributed towards or benefitted from the activation of the PCF may be missed and a significant proportion of the intended benefit may not be achieved.

This could lead to delays in connection dates for viable projects which in turn could significantly impede progress towards CP30 targets. Therefore, an urgent timeline could mitigate significant negative commercial impacts on parties, consumers or other stakeholders with interests associated with Transmission generation connections queue. Additionally, greater efficiencies will be able to be realised by NESO in its connections and planning processes if time and effort can be focused only on projects that are committed to progressing.

Interactions

☐Grid Code	☐BSC	☐STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[1]	☑Other modifications	☐Other

This proposal is reliant on CMP434 and CMP435 which are not approved at time of writing. For the purposes of this proposal, approval of CMP434 and CMP435 has been assumed. Should CMP434 and/or CMP435 not be approved this proposal will be reconsidered.

No interactions with other codes have been identified.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CAP	Connections Action Plan
CMP	CUSC Modification Proposal
CMP	Connection and Use of System Code Modification Proposal
CP30	Clean Power by 20230
CUSC	Connection and Use of System Code

DC	Developer Capacity
DESNZ	Department for Energy Security and Net Zero
DNOs	Distribution Network Operators
EBR	Electricity Balancing Regulation
IC	Interconnector Capacity
NESO	National Electricity System Operator
Ofgem	Office of Gas and Electricity Markets
PCF	Progression Commitment Fee
PCFS	Progression Commitment Fee Security
RDC	Revised Developer Capacity
RIC	Revised Interconnector Capacity
RTEC	Revised Transmission Entry Capacity
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
T&Cs	Terms and Conditions
TCMF	Transmission Charging Methodologies Forum
TEC	Transmission Entry Capacity
TNUoS	Transmission Network Use of System

Reference material

- Add links to reference material