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CUSC Panel 2024

CUSC Panel Minutes

Date: 20/12/2024 **Location:** Microsoft Teams

Start: 10:00 AM **End:** 12:00 PM

Participants

Attendee	Initials	Representing
Trisha McAuley	TM	Independent Panel Chair
Catia Gomes	CG	Panel Secretary, Code Administrator Representative
Ren Walker	RW	Panel Technical Secretary, Code Administrator
Andrew Enzor	AE	Users' Panel Member
Binoy Dharsi	BD	Users' Panel Member
Garth Graham	GG	Users' Panel Member
Joe Colebrook	JC	Users' Panel Member
Joe Dunn	JD	Users' Panel Member
Kyran Hanks	KH	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Andy Pace	AP	Consumers' Panel Member
Daniel Arrowsmith	NH	NESO Panel Member
Nadir Hafeez	NH	Authority Representative
Harriet Harmon	HH	Authority Representative
Rashmi Radhakrishnan	RR	BSC Observer

Apologies

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Attendee	Initials	Representing
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Observers

Attendee	Initials	Representing
Milly Lewis	ML	Code Administrator – NESO
Claire Goult	CG	Code Administrator – NESO
Elana Byrne	EB	Code Administrator – NESO

1. Introductions, Apologies and Declarations of Interest

12631. No apologies or declarations of interest were received.

2. Draft Final Modification Reports

12632. There were two Draft Final Modification Reports presented to the Panel.

CMP434 Implementing Connections Reform

12633. CG delivered a presentation on CMP434. The modification sets out that the connections process is not enabling the timely connection of projects to meet net zero. A wholesale revision is needed to the connections process to meet those targets and the needs of project developers and consumers. This proposal introduces new processes and definitions that will update the existing processes and enable projects that are most ready to progress more rapidly to connection.

12634. CG advised the Panel that seven alternative solutions were raised as part of CMP434, and these were:

WACM1: Clarification of Embedded Definition

- In line with the Original Proposal, except for changing the definition of Embedded schemes that are covered by the Primary Process to be defined by capacity, rather than referencing Relevant Small, Medium and Large Power stations.

WACM2: DNO Submission Requirement

- In line with the Original Proposal, except for changing the obligation of DNOs and iDNOs in respect of the inclusion of all applicable Embedded Projects that provide a valid Gate 2 compliance application and evidence submission within the Gated Application Window, as part of the DNO/iDNOs fully completed Gate 2 Application to NESO. In the Original, the obligation is

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to use Reasonable Endeavours to do so, whereas in this option the obligation is absolute.

WACM3: Capacity Reallocation Codification

- In line with the Original Proposal, except for codifying a Capacity Reallocation mechanism to allow terminated capacity to be offered to the next contracted project that has passed Gate 2 and is able to utilise the released capacity. This would remove NESO’s ability to utilise Project Designation or Connection Point and Capacity Reservation in respect of reallocating terminated capacity.

WACM4: Codifying restrictions on changes to project site location “Red Line Boundary” (RLB) – post-Gate 2

- In line with the Original Proposal, except for codifying the proposed restrictions on changes to project Red Line Boundary post-Gate 2, rather than housing the restrictions in the proposed Gate 2 Criteria Methodology.

WACM5: Remove Project Designation

- In line with the Original Proposal except for the removal of Element 9: Project Designation

WACM6: Obligation to Codify the Methodologies and Guidance Documents under Connection Reform

- In line with the Original Proposal, however, adds an obligation on NESO to undertake and report on a review of the new connections process, to allow stakeholders to assess whether a code modification is required to codify the Methodologies and Guidance documents.

WACM6 should not be implemented without CM095 ASM1.

WACM7: Introduction of a pause for market self-regulation before NESO/the Transmission Operators (TOs) undertake the network assessment

- In line with the Original Proposal but introduces a pause for market self-regulation prior to NESO/TO network assessment occurring, to allow for greater visibility of competitor projects.

12635. CG stated that the Code Administrator Consultation was run from 08/11/2024 to 26/11/2024 and received forty-three non-confidential responses including one late response [and eight confidential responses]. The key points were:

Support for Reform and the Original Proposal

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- Many respondents agree that the Original proposal and the need for reform are essential to address the inefficiencies in the current connections process.

Concerns About Methodologies and Codification

- Several respondents express concerns about the reliance on methodologies and guidance documents that are not codified within the CUSC. There is a call for more transparency and the need for these methodologies to be subject to robust governance and industry input.

Project Designation and Capacity Reservation

- There are mixed views on the inclusion of project designation and capacity reservation powers for NESO. Some believe these powers are necessary for strategic planning, while others fear they could lead to unfair advantages and market distortions.

Implementation and Timelines

- Many respondents highlight the need for clear and realistic implementation timelines. There are concerns about the ambitious timelines proposed and the need for adequate notice and preparation time. The importance of a smooth transition and the need to avoid overlaps between different implementation phases are emphasised.

Embedded Generation and DNO Processes

- There are significant concerns about the impact of the proposed changes on embedded generation projects and the role of DNOs.
- Respondents call for clearer processes and obligations for DNOs to ensure that embedded generation projects are not disadvantaged.

Queue Management and Milestones

- The need for effective queue management and clear milestones is a recurring theme. There are concerns about the current milestones being fit for purpose and the potential for projects to be delayed or disadvantaged.
- Some respondents suggest that the queue management process needs to be reviewed and potentially revised to align better with the new proposals.

Support for Specific WACMs

- Various respondents express support for specific combinations of Workgroup Alternative CUSC Modifications (WACMs).

Need for Continuous Improvement and Flexibility

- There is a recognition that the proposed changes are a step in the right direction, but there is also a call for continuous improvement and flexibility to adapt to future needs and challenges.

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- The importance of learning from the implementation and refining the processes, based on feedback and practical experience, is emphasised.

12636. CG confirmed that the following EBR issues were raised in the consultation:

- Thirty-three Respondents agreed with the Workgroup’s assessment that the modification does not impact the Electricity Balancing Regulation.
- Seven respondents gave no response, one respondent ticked yes and no, and one respondent felt that they were unable to answer the question.
- One respondent believed that there was an EBR impact and gave the following comment:

This will delay progressive users to get on the system to manage the balancing of the system with clean energy.

- One respondent did not give a definitive answer leaving the following comment:
No assessment. Consultation period extraordinarily short.

NESO supplied the following response for the DFMR:

- *The Workgroup reviewed whether there was an EBR impact as part of their Terms of Reference and concluded that there was no impact.*
- *CUSC Exhibit Y shows mapping of CUSC Sections to the EBR Article 18 Terms and Conditions for Balancing Services Providers and Balancing Responsible Parties to the CUSC. No legal text sections identified within the CUSC Exhibit Y mapping table are impacted as part of CMP434. The Code Administrator Consultation therefore is not required to meet the minimum consultation requirements of the Electricity Balancing Regulations.*

12637. CG explained that numerous Legal Text queries were raised through the Code Administrator Consultation. CG confirmed that Annex 15 ‘Code Administrator Consultation Legal Text Queries’ provides a list of those queries and the Proposer’s response from NESO’s legal team.

12638. The CUSC Panel reviewed the legal text queries deemed by the Code Administrator to be clear ‘typographical’ changes, i.e. with no effect to intent, meaning or effect of the wording, for agreement to amend within the legal text. CG stated that these changes have been prepared within the legal text documents in Annex 16, subject to Panel agreement, and are marked in green in the queries spreadsheet, Annex 15, and slides 13–16. Following this, the Panel reviewed any legal text queries that required a Panel decision.

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12639. Ahead of the vote taking place, the Panel considered the legal text amendments proposed as part of the Code Administrator Consultation and agreed that they were typographical or not required.

12640. The Panel recommended unanimously that the Original, WACM3, WACM4 and WACM6 better facilitated the Applicable CUSC Objectives and by majority that WACM1, WACM2, WACM5, and WACM7 better facilitated the Applicable CUSC Objectives. By majority the Panel recommended that WACM6 (3 out of 8 votes) best met the Applicable CUSC. Objectives. The Final Modification Report was submitted to the Authority on 20 December.

CMP435 Application of Gate 2 Criteria to existing contracted background

12641. EB delivered a presentation on CMP435. EB explained that the related “Implementing Connection Reform” Modification introduces new processes and definitions that will update the existing processes and enable new applicants with more ready projects to progress more rapidly to connection. Gate 2 is a key component of the update; however, the size and rate of growth of the connections queue means that significant action is required as soon as possible to reduce the current queue so that viable projects can be connected more quickly and so that the benefits of our proposed Connections Reform model can be delivered earlier. This Modification seeks to address this by applying a project milestone / criteria (‘Gate 2’) to all existing contracted parties before they are provided with confirmed connection dates and locations.

12642. EB advised the Panel that one alternative solution was raised, and this was as follows:

WACM1 – Proposed solution:

- The results of the Gate 2 compliance check should be published – including any revised Transmission Entry Capacity (TEC) or technology change requests.
- A 2–4-week pause should be implemented for Gate 2 qualified applicants to assess the viability of their projects in light of updated competitor information, to understand the Clean Power Plan for 2030 (CPP30) regional technology quota

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proposals that will emerge, and any NESO project designation activity that has been undertaken at that point.

- Parties could then choose to either submit an application for capacity advancement, keep their project as is or withdraw.
- The TO/NESO network investment would then proceed as under the Original proposal, but in the WACM Proposer’s view with a much more credible portfolio of generation projects which will reduce the risk of stranded assets and consumer costs.
- Implementation would be in-line with the Original proposal’s implementation approach.

12643. CG advised the Panel that the Code Administrator Consultation was run from 08/11/2024 to 26/11/2024 and received thirty-nine non-confidential responses including three late responses and four confidential responses. The key points were:

Support for Reform and the CMP435 Proposals:

- Many respondents agreed that the need for reform and the CMP435 proposals are essential to address (or contribute to addressing) the inefficiencies in the current connections process.

Concerns About Methodologies and Codification:

- Several respondents expressed concerns about the reliance on methodologies and guidance documents that are not codified within the CUSC but integral to delivery of the reform being introduced by the CUSC modifications.

Concerns About Methodologies and Codification (continued):

- Numerous responses referenced the need for legal certainty and codification of methodologies within the CUSC to avoid potential changes impacting project development risk.
- There were calls for more transparency and the need for these methodologies to be subject to robust governance and industry input.

Project Designation and Capacity Reservation:

- There were mixed views received on the inclusion of Project Designation and Capacity Reservation powers for NESO. Some believed these powers are necessary for strategic planning, while others feared they could lead to unfair advantages and market distortions.

Embedded Generation and DNO Processes:

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- There were significant concerns expressed about the impact of the proposed changes on embedded generation projects and the role of Distribution Network Operators (DNOs).
- Respondents called for clearer processes and obligations for DNOs to ensure that embedded generation projects are not disadvantaged.

Queue Management and Milestones:

- Views were expressed that the current process and milestones should be sufficient for accelerating existing projects/excluding speculative projects.
- Some respondents suggested that the queue management process needs to be reviewed and potentially revised to align better with the new proposals.

Support for WACMI:

- For those supporting it, WACMI was seen as beneficial to providing additional data for developers to make informed decisions, and for introducing a pause for market self-regulation.

Need for Continuous Improvement and Flexibility:

- There was a recognition that the proposed changes are a step in the right direction, but there was also a call for continuous improvement and flexibility to adapt to future needs and challenges.
- It was emphasised that learning from the implementation and refining the processes based on feedback and practical experience would be important.

Impact on Investor Confidence:

- Responses expressed concerns that the Proposal risks jeopardising existing generation users and the potential impact on investor confidence due to the uncertainty and changes introduced by the proposed reforms.
- Ensuring transparency, clear communication, and minimising disruptions to existing projects was seen as critical to maintaining investor confidence.

Potential areas of legal challenge

- A small number of respondents referenced questions raised by the Proposals which could allow for potential legal challenge following implementation of the reform package. These included the impact on having clear Terms and Conditions from the use of the related methodologies, possible delays due to potential misalignment of the methodologies with CMP435, a lack of Government/Authority mandate or supporting legislation for the proposals and consequences of DNOs' limited time to re-order the Distribution queue and notify Distribution customers.

Alignment with Clean Power 2030 and Net Zero Targets:

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- Many respondents highlight the importance of aligning the proposed reforms with the Clean Power 2030 and Net Zero targets.
- There is support for prioritising projects that are ready and needed to meet these targets, but also concerns about the potential for delays and the need for exemptions for well-advanced projects.

Implementation Approach:

- Responses generally supported the proposed approach but the need for clear calendar dates, realistic timelines and co-ordination across industry and other implementations was emphasised.
- The administrative burden and complexity of the approach, and interdependencies with other reform changes were noted in responses.
- Calls were made for exemptions for well-advanced projects and clarity on the Distribution queue re-ordering prior to implementation.

12644. CG advised the Panel that the following EBR issues were raised in the consultation:

- Thirty-four respondents agreed with the Workgroup’s assessment that the modification does not impact the Electricity Balancing Regulation. One of these respondents noted that they agreed with the assessment but that the modification may not comply with other legislation such as retained law relating to clear terms and conditions.
- One respondent felt that they were unable to respond to the question on EBR as the consultation period was extremely short.
- One respondent felt that they were unable to respond to the question on EBR as they were not well placed to do so.
- Two respondents left no response or no comment in response to the EBR question.
- One Respondent believed there was an EBR impact and gave the following comment:

This will delay progressive users to get on the system to manage the balancing of the system with clean energy.

NESO supplied the following response for the DFMR:

- *The Workgroup reviewed whether there was an EBR impact as part of their Terms of Reference and concluded that there was no impact. CUSC Exhibit Y shows mapping of CUSC Sections to the EBR Article 18 Terms and Conditions for Balancing Services Providers and Balancing Responsible Parties to the CUSC. No*

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legal text sections identified within the CUSC Exhibit Y mapping table are impacted as part of CMP435.

12645. CG explained that there were numerous Legal Text queries were raised through the Code Administrator Consultation. CG confirmed that Annex 15 ‘Code Administrator Consultation Legal Text Queries’ provides a list of those queries and the Proposer’s response from NESO’s legal team.

12646. The CUSC Panel reviewed the legal text queries deemed by the Code Administrator to be clear ‘typographical’ changes, i.e. with no effect to intent, meaning or effect of the wording, for agreement to amend within the legal text. CG stated that these changes have been prepared within the legal text documents in Annex 16, subject to Panel agreement, and are marked in green in the queries spreadsheet, Annex 15, and slides 32–33. Following this, the Panel reviewed any legal text queries that required a Panel decision.

12467. Ahead of the vote taking place, the Panel considered the legal text amendments proposed as part of the Code Administrator Consultation and agreed that they were typographical or not required.

12468. The Panel recommended by majority that the Original and WACMI better facilitated the Applicable CUSC Objectives. By majority the Panel recommended that WACMI (5 out of 8 votes) best met the Applicable CUSC Objectives. The Final Modification Report was submitted to the Authority on 20 December.

3. Any Other Business (AOB)

12629. The Chair and Panel Members took this opportunity to say thank you and recognise the herculean effort from all of industry participants involved and the Code Administrator for their huge effort and contributions in delivering CMP434 and CMP435 to the Authority.

4. Close

12630. The Chair thanked the Panel for their time and contribution and brought the meeting to a close.

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A Special CUSC Panel will be held on 10 January 2025 to present the Change of Governance Route – Urgency requests for

- [CMP405](#) TNUoS Locational Demand Signals for Storage
- [CMP423](#) Generation Weighted Reference Node
- [CMP432](#) Improve “Locational Onshore Security Factor” for TNUoS Wider Tariffs

The next CUSC Panel meeting will be held on 31 January 2025 on Microsoft Teams

New Modification Proposals to be submitted by 16 January 2025

CUSC Panel Papers Day is 23 January 2025.