

Connection and Use of System Code (CUSC) CMP447: Removal of designated strategic works from cancellation charges/securitisation

Decision: The Authority¹ directs that this modification should be made²

Target audience: National Energy System Operator (NESO), Parties to the CUSC, the CUSC Panel and other interested parties

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Background

When a User seeks connection to the transmission network, they likely trigger transmission works. User Commitment arrangements place liabilities on Users³ that trigger specific works to allow them to connect to the system, and define the amount a User is liable for should they terminate their project or reduce their capacity before or after their Trigger Date.⁴ This means that Users financially secure the network reinforcement and investment required to connect them. Security arrangements comprise a liability to cover assets which are to be

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ Defined in CUSC Section 11 - *a person who is a party to the CUSC Framework Agreement other than The Company*;

⁴ Defined in CUSC Section 15 - *The Trigger Date will be (a) the 1 April which is three Financial Years prior to the start of the Financial Year in which the Charging Date occurs or (b) where the Charging Date is less than three Financial Years from the date of the Construction Agreement, the date of the Construction Agreement (in which case the Financial Year in which such date falls is the relevant Financial Year within the Cancellation Charge Profile working back from the Charging Date)*.

relied upon by the connecting User and which are also being built for the benefit of other Users (defined as Wider Works) and a liability to cover specific investment driven by a specific site, e.g. the works required to connect a generator to an existing Main Interconnected Transmission System (MITS) node⁵ (defined as Attributable Works). Therefore, whether asset build is driven by a specific User or for the wider benefit of all Users is determinative of the User Commitment liabilities faced by a connecting User.

If a User terminates their project (or reduces their capacity) before the Trigger Date, they will have to pay liabilities associated with their Attributable Works (also referred to as the Attributable Works Cancellation Charge). If they cancel after the Trigger Date, they will be liable to pay the Attributable Works Cancellation Charge and the Wider Cancellation Charge.⁶ These arrangements are pursuant to Section 15⁷ (User Commitment Methodology) of the Connection and Use of System Code (CUSC)⁸ and are reflected in the System Operator Transmission Owner Code (STC)⁹.

In April 2022, the Government published its British Energy Security Strategy ('BESS')¹⁰ which set out the ambition to connect up to 50GW of offshore wind generation to the electricity network by 2030. As a result of this, the National Energy System Operator ('NESO') published the Holistic Network Design ('HND')¹¹ and Network Options Assessment ('NOA') Refresh¹² in July 2022, which set out the required offshore and onshore network reinforcements to allow for the compliant connection of the offshore generation. Our existing Large Onshore

⁵ A MITS node is point on the network with four or more transmission lines, or two transmission lines and a Grid Supply Point (GSP).

⁶ A component of the Cancellation Charge that applies on and after the Trigger Date as more particularly described in Part Two of the User Commitment Methodology

⁷ [Connection and Use of System Code \(CUSC\) | Section 15 - User Commitment Methodology](#)

⁸ [Connection and Use of System Code \(CUSC\) | National Energy System Operator](#)

⁹ [System Operator Transmission Owner Code \(STC\) | National Energy System Operator](#)

¹⁰ [British energy security strategy - GOV.UK](#)

¹¹ [A Holistic Network Design for Offshore Wind | NESO](#)

¹² [NOA Refresh 2021-22.pdf](#)

Transmission Investment (LOTI)¹³ and Medium Sized Investment Projects (MSIP)¹⁴, established under the RIIO-ET2¹⁵ price control framework, continue to play an important role in facilitating critical investment in the onshore transmission network. However, given the scale and pace of the required investment, we introduced the Accelerated Strategic Transmission Investment (ASTI)¹⁶ regulatory framework in December 2022 to fund the large strategic onshore transmission projects required to deliver the Government's 2030 ambitions.

Through the price controls framework¹⁷, the Authority has approved, and may in future approve, further specific infrastructure projects for a relevant Transmission Owner (TOs) as part of this strategic approach to reinforcement of the network. Broadly, where TOs incur costs in delivering Authority approved LOTI, ASTI or MSIP projects, the operation of the price control framework means that those costs will be returned to the relevant TO.

Despite these mechanisms under the price control framework, the CUSC currently requires connecting Users to provide securities associated with strategic reinforcement works approved by the Authority, even when the build is not specifically triggered by the connection of those Users.

Decisions on CMP428: User Commitment liabilities for Onshore Transmission reinforcement in the Holistic Network Design & CM094: Amendment to Bi-annual estimate provisions

¹³ **Large Onshore Transmission Investment (LOTI):** Established under Ofgem's RIIO-ET2 price control framework to assess and fund projects exceeding £100 million

¹⁴ **Medium Sized Investment Projects (MSIPs):** Established under Ofgem's RIIO-ET2 price control framework to assess and fund projects under £100million to include in the background

¹⁵ RIIO-ET2 is the second iteration of electricity transmission price control to be conducted under the RIIO (Revenue = Incentives + Innovation + Outputs) model. This applies to electricity transmission companies from 1 April 2021 to 31 March 2026 (the 'T2 Price Control Period').

¹⁶ **Accelerated Strategic Transmission Investment (ASTI):** Introduced in Dec 2022 as a new framework to fast-track delivery of strategic reinforcements needed to meet Gov 2030 offshore wind targets

¹⁷ [17 RIIO-3 Final Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors | Ofgem](#)

On 11 June 2024, we published our decision¹⁸ approving CUSC modification proposal *CMP428: User Commitment liabilities for Onshore Transmission reinforcement in the Holistic Network Design*. CMP428 implemented changes to the User Commitment regime, introducing the concept of “Excepted Works”, so that assets designated by the Authority as onshore transmission reinforcement in the HND, or future asset classification decisions in the Beyond 2030¹⁹ report, will not be classified as Attributable Works, and no longer included within a User's Construction Agreement. This effectively means that Users will not incur User Commitment liabilities in respect of those assets. This approach aligns with policy objectives supporting Net Zero and Clean Power 2030 targets and the aim to coordinate network expansion by reducing financial barriers for Generators.

We also published a decision²⁰, on 11 June 2024, to reject CM094: *Amendment to Bi-annual estimate provisions*, which was raised under the STC. Whilst we rejected CM094, we recognised its intent to address the limitations of the User Commitment regime with respect to works outside the HND and Beyond 2030 scope. While CM094 sought to extend the benefits of CMP428, we acknowledged that a further modification would be required to comprehensively include strategic transmission works not captured by the HND or future asset classification decisions, ensuring the regime continues to support fair and proportionate risk allocation for all Users whilst avoiding inconsistency of conflicting text between the STC and the CUSC.

¹⁸ [CMP428_Decision_11Jun2024.pdf](#)

¹⁹ [Beyond 2030 | NESO](#)

²⁰ [CM094_Decision_11Jun2024.pdf](#)

The modification proposal

CMP447: *Removal of designated strategic works from securitisation/cancellation charges* ('the Proposal') was raised by the NESO ('the Proposer') on 17 January 2025. Subsequently, on 9 June 2025, the Proposer requested that the Proposal be treated as urgent based on Ofgem's Urgency Criteria.²¹ On 12 June 2025, we approved²² the decision to progress the modification on an urgent basis, citing Ofgem's Urgency Criterion (a): *a significant commercial impact on parties, consumers or other stakeholders* due to the significant financial impact on generators and need for clarity ahead of Gate 2²³ offers.

The Proposer has identified a defect in the User Commitment regime, whereby generators are required to provide financial securities for strategic transmission works that are Authority-approved and not triggered by their own connection. These works, such as those delivered under the ASTI, LOTI and MSIP frameworks, are progressing independently of individual generator activity and are already funded under Ofgem's price control mechanisms. The proposal builds on the concepts dealt with by CMP428.

CMP447 Original Proposal

The CMP447 Original Proposal ('Original Proposal') aims to update the CUSC with amendments to Sections 11 and 15 to extend the definition of "Excepted Works", to cover works that Ofgem have designated as additional strategic transmission works—likely including ASTI, LOTI, and MSIP. This would remove the requirement for Users to provide

²¹ [Urgency Guidance \(ofgem.gov.uk\)](https://www.ofgem.gov.uk)

²² [Urgency Decision - 12 June 2025](https://www.ofgem.gov.uk)

²³ As per [TMO4+ \(Connections Reform\)](https://www.ofgem.gov.uk) Gate 2 is the point at which eligible projects are provided with a confirmed connection date, connection point, and Gate 2 Queue position. Existing projects that meet the Readiness and Strategic Alignment criteria (including all those that are protected), which includes all 'ready' demand projects at transmission, will be offered a Gate 2 contract or, in the case of existing customers, will maintain a position in the queue or advance to fill new gaps from the removal of non-ready projects from the queue.

cancellation charge securities and liabilities associated with these strategically designated works.

The Original Proposal also introduces a one-off recalculation mechanism for fixed Attributable Works in Section 15, ensuring generators who have opted to fix their liabilities can benefit from the exclusion of designated strategic works, without undermining the fixed regime. The Original Proposal sees Ofgem retaining full discretion in designating which strategic transmission works would fall under the definition of “Excepted Works” following a list of assets recommended by NESO, with NESO mapping and notifying affected parties following Ofgem’s designation, the proposed process for which can be found in Annex 7 of the Final Modification Report (FMR).²⁴

The Proposer considers the Original Proposal to better facilitate Applicable CUSC Objective (ii) (ACOs²⁵) while considering the change to be neutral against the other ACOs. With respect to ACO (ii), The Proposer believes that the Proposal enhances competition by ensuring that generators face appropriate Attributable Works within their potential cancellation charge liabilities. The Proposer considers that, should CMP447 be approved, that it will provide clarity to the industry on what assets are classified as Attributable Works for Generators and it is likely that an increasing number of customer connections will be realised by reducing the number of unnecessary securities required from generators and demand customers.

Workgroup Alternative CUSC Modifications (WACMs)

²⁴ [CMP447 Final Modification Report](#)

²⁵ Applicable CUSC Objectives (ACOs) are defined in paragraph 15 of SLC C10 of NESO’s Transmission Licence. There are charging and non-charging objectives. They are contained in SLC C10(5) and SLC C5(5) respectively of NGESO’s Transmission Licence. For the purposes of this decision, ACOs are referring to the non-charging objectives.

Following Workgroup Consultation, the Workgroup developed three WACMs with all three receiving majority Workgroup support in the vote. The Workgroup concluded by majority (18 out of 19 votes) that the Original Proposal better facilitates the ACOs than the baseline and unanimously that WACM1, WACM2 and WACM3 better facilitates the ACOs than the baseline, with WACM3 voted as Workgroup's preferred solution.

The three WACMs for CMP447 retain the Original's approach to the one-off adjustment of fixed liabilities, and the introduction of discretionary designation of "Excepted Works" by the Authority, however they each build upon the Original's Proposal by introducing additional approaches to the designation of "Excepted Works" and introducing codified process and timings for the designation process.

WACM1 aligns the designation process with NESO's strategic planning documents – Pathway to 2030 ('PT2030')²⁶, Beyond 2030 and Centralised Strategic Network Plan (CSNP)²⁷ - introducing automatic qualification criteria for assets whilst retaining discretionary authority for Ofgem as per the Original Proposal.

WACM2 retains the Original Proposal's definition for extending the definition of "Excepted Works" by introducing Authority discretion for designation but builds on the Original Proposal by introducing a codified process and timings for the designation process into Section 15 adding governance obligations, such as requiring NESO to submit designation requests, publish a register, and imposing a time-bound decision requirement on the Authority for when a decision on designations should be made.

²⁶ [Pathway To 2030 | NESO](#)

²⁷ The Centralised Strategic Network Plan is being developed by NESO and due for publication in 2027. The aim of the CSNP is to provide an independent, coordinated and long-term whole-system approach to planning the electricity and natural gas transmission networks, as well as hydrogen transport and storage (T&S) networks across Great Britain (GB) to help meet the government's net zero ambitions.

WACM3 combines the features of WACM1 and WACM2, offering both strategic alignment with NESO planning documents, allowing for automatic designation whilst retaining Authority discretion and adding governance with timings and process outlined in Section 15 as per WACM2.

CUSC Panel²⁸ recommendation

The CUSC Panel (the ‘Panel’) met on 21 October 2025 and voted on CMP447 against the ACOs. The Panel unanimously recommended that CMP447 and all three Workgroup Alternative CUSC Modifications (WACMs 1–3) better facilitate the ACO (ii) compared to the current baseline, therefore recommending the approval of CMP447. Two Panel members considered the Original and WACMs 1–3 also better facilitate ACO (i) with one member considering ACO (iv) to also be better facilitated. While there was no majority consensus on a single preferred solution, WACM3 received the most votes as the preferred option with WACM2 and the Original receiving votes as preferred solution also. Further details on the views of the Panel members are set out in the FMR.

Our decision

We have considered the issues raised by the modification proposal and the FMR dated 21 October 2025. We have considered and taken account of the responses to the industry consultations on the modification proposal which are attached to the FMR. We have concluded that:

- implementation of the modification proposal in the form of the **Original Proposal** will better facilitate the achievement of the applicable objectives of the CUSC²⁹

²⁸ The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

²⁹ As set out in Standard Condition E2 of the Electricity System Operator Licence.

- directing that the modification be made is consistent with our principal objective and statutory duties.³⁰

Reasons for our decision

We consider that the Original Proposal and WACMS 1-3 all would better facilitate ACO (i) and (ii), with our view on the Original Proposal that it better facilitates ACO (iv) and has a neutral impact on ACO (iii). With regards to WACMs 1-3, whilst we consider that WACMs 1-3 would have a neutral impact on ACO (iii), we believe they have a negative impact on ACO (iv). We believe that approving the Original Proposal brings further benefits than WACMs 1-3 whilst facilitating additional benefits with respect to ACOs (i) and (iv).

Our assessment against CUSC Applicable Objectives

(i) the efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence³¹

The Proposer considers that CMP447's Original Proposal will have a neutral impact on the efficient discharge by the Licensee of the obligations imposed on it by the Act and by their licence. Two Panel members voted in favour of the Original Proposal and WACMs 1-3 as better facilitating ACO (i) citing improvements in the transparency, fairness and proportionality of User liabilities, reducing unnecessary securities and avoiding the over-securitisation of works.

³⁰ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

³¹ See Electricity System Operator Licence

Our View

We believe CMP447's Original Proposal and WACMs 1-3 better facilitates Applicable CUSC Objective (i) by ensuring that NESO fulfils its licence obligations to administer User Commitment arrangements in a manner that is both efficient and proportionate. Under the current framework, NESO is required to place financial liabilities and securities on Users who trigger reinforcement works, protecting consumers from the risk of stranded assets.³² However, CMP447's Original Proposal and WACMs 1-3 recognises that where strategic works have already been designated by the Authority (and funded via specific price control provisions)—such as those under ASTI, LOTI, or MSIP mechanisms—the risk of stranded assets is effectively mitigated. We consider that, by removing unnecessary User Commitment liabilities for these strategically designated works, the Original Proposal and WACMs 1-3 streamline NESO's administrative processes by only issuing securities for generator-dependent connections, reduce the burden on Users, and ensure that securities are only required where there is genuine risk. We consider that this approach directly supports the efficient discharge of NESO's statutory and licence duties, aligning User Commitment arrangements with actual risk and improving the overall effectiveness of the regime.

(ii) facilitating effective competition in the generation and supply of electricity, and (so far and consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;

³² Assets built for a User who subsequently withdraws or reduces their commitment.

The Proposer considers that the Original Proposal has a positive impact on competition by ensuring that generators only face appropriate Attributable Works within their potential cancellation charge liabilities and are therefore securitising an appropriate amount. They consider that the Original Proposal provides clarity to industry on what assets are classified as Attributable Works for generators, and could result in an increasing number of customer connections by reducing the number of unnecessary securities required by generators and demand customers.

The Panel unanimously agreed that the Original Proposal and all three WACMs better facilitate Objective (ii) compared to the current baseline. Overall, the Panel's assessment highlights that all solutions benefit competition by removing duplicative and unnecessary securities for strategic works that are not directly attributable to individual Users. Ultimately, the Panel consider that the change is anticipated to reduce barriers to entry and investment, support a broader range of market participants by enabling Generators of varying size and financial flexibility to enter the market, and enable more renewable generation projects to connect to the system.

Our View

We agree that CMP447's Original Proposal and WACMs 1-3 better facilitate effective competition in the generation and supply of electricity compared to the current baseline. We agree that all four proposals would remove duplicative and unnecessary securities for strategic works that are being built under mechanisms such as ASTI, LOTI and MSIP. We consider that this change is expected to reduce perceived barriers to entry which would create a level playing field for Generators regardless of size and financial circumstances, ultimately supporting investment of renewable generation projects onto the transmission network from a broader range of market participants.

It seems unfair in principle for Users to provide securities or liabilities for designated strategic works which would otherwise proceed regardless of their connection, as User Commitment arrangements are intended to protect consumers from the costs of stranded assets—a risk that is mitigated where strategic designations have been made.

By more closely aligning User liabilities with actual risk and removing obstacles to investment, the Original Proposal and WACMs 1-3 supports efficient and equitable access to the transmission network and aligns with our wider policy direction with regards to strategically designated transmission works.

(iv) promoting efficiency in the implementation and administration of the CUSC arrangements

The Proposer considers that CMP447's Original Proposal will have a neutral impact on promoting efficiency in the implementation and administration of the CUSC arrangements. The majority of Panel members considered that all solutions are neutral with respect to this ACO. One Panel member voted in favour of the Original Proposal and WACMs 1-3 as better facilitating ACO (iv) considering improvements in transparency, fairness and proportionality in User liabilities whilst aligning with Ofgem's guidance and CUSC objectives, along with wider strategic aims of enabling Net Zero. NESO, in their Panel voting statements, considers WACM1 and WACM3 as attempts to clarify exclusions under CP30 and Beyond 2030, but notes they still require judgement on whether schemes are generator-led or for wider system benefit which is the judgement being made in relation to all circuits under the Original Proposal. NESO believes these options add complexity without real precision. NESO believes that the Original Proposal is a simple solution for the stated defect, with one other Panel member citing the Original Proposal to be effective and simple.

Our View

We consider the Original Proposal to have a positive impact on promoting efficiency in the implementation and administration of the CUSC arrangements but consider WACMs 1-3 to have a negative impact. We agree with NESO and one Panel member that the Original Proposal is designed to be simple, flexible and effective, allowing Ofgem to designate strategic works as “Excepted Works” without introducing unnecessary procedural complexity. By removing unnecessary securities for strategic works, the modification streamlines the User Commitment regime, reducing duplication of securities and provides greater clarity for both Users and NESO whilst providing a clear and effective pathway for achieving the aims of CMP447. By adopting a straightforward, discretionary approach to the designation of strategic works as “Excepted Works”, the Original Proposal avoids complexity and is legally sound. This enables immediate implementation, as well as future adaptability, without the need for reliance on untested frameworks or planning documents.

We consider WACMs 1-3 to be negative against ACO (iv). Specifically, WACM1's reliance on the future CSNP introduces significant uncertainty, as the relevant planning documents are not yet published. This reliance creates a lack of clarity and undermines the objective of administrative efficiency by potentially deferring important decisions and processes until an unspecified future date. Although WACM1 retains the Authority's discretionary designation, reference to the CSNP without full knowledge of what this will contain introduces an element of otherwise avoidable risk.

Furthermore, both WACM2 and WACM3 impose time-bound obligations on Ofgem to undertake specific actions within set periods. Such requirements are considered ultra vires, as they attempt to introduce unenforceable legal obligations on the Authority via the CUSC. This legal overreach not only risks creating administrative and governance challenges but

also adds procedural complexity that is contrary to the aim of streamlining CUSC implementation and administration. As a result, WACM2 and WACM3 are not capable of approval and are assessed as negative against ACO (iv).

For the avoidance of doubt, although we recognise the merit in what WACMs 1-3 were attempting to achieve, they introduce added complexity, legal risk and reliance on future frameworks which ultimately outweigh any potential benefits, making the Original Proposal the preferable route for addressing the current defect efficiently and effectively.

Our position on the designation process

We acknowledge that the legal text for CMP447's Original Proposal does not set out a prescriptive or codified process for designation; instead, it allows Ofgem to retain full discretion over which works are designated. Our view on Ofgem's approach to the designation of strategic works as "Excepted Works" under CMP447 is that it should be intentionally light-touch and practical, maintaining flexibility to adapt to evolving system needs and policy priorities. This ensures that the process can be responsive and efficient, avoiding unnecessary administrative burdens or rigid timelines.

In setting out our expectations, we envisage that NESO will play a central role in the identification and recommendation of strategic works for designation as "Excepted Works". Specifically, NESO will be responsible for assessing and proposing works that are not generator-dependent and are already funded under price control mechanisms. This will be undertaken in a manner broadly in line with the process outlined in Annex 7 of the Final Modification Report, which provides a process map as illustrative guidance. While Annex 7 is not legally binding, it offers a useful reference for how the process may operate in practice.

Once NESO has identified and recommended relevant strategic works, these will be submitted to Ofgem, at which point we will review NESO's recommendations to ensure recommended works are eligible to be designated as "Excepted Works" and see securities and liabilities removed. Importantly, designation as "Excepted Works" is not automatic; it is a conditional approval, subject to our evaluation and discretion. Only after this assessment will we publish a list of designated "Excepted Works".

We expect the initial publication of designated "Excepted Works" to coincide with Gate 2 offers, providing timely clarity to affected parties. Future updates to the list by Ofgem may occur if Users request that NESO make further assessments or should NESO identify appropriate works to recommend to Ofgem. However, it is important to note that these will be carried out on a bespoke basis as needed, rather than through regular cycles.

This approach ensures that the process for designating strategic works remains clear, efficient, and aligned with business-as-usual activities within Ofgem. By maintaining flexibility and conditional approval at the designation stage, the process supports both legal compliance and practical delivery, while providing transparency and assurance to market participants.

Decision notice

In accordance with Standard Condition E2 of the Energy System Operator Licence, the Authority, hereby directs that the **Original Proposal** of modification proposal CMP447: *Removal of designated strategic works from securitisation/cancellation charges* be made.

Harriet Harmon

Head of Electricity Transmission Charging

Energy Systems Management and Security

Signed on behalf of the Authority and authorised for that purpose