Ancillary Document 1: Connection and Use of System Code (CUSC) Tracked Changes

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Contact:	Salvatore Zingale / Calum Shields / Charles Prideaux / Keren Maschler / Liam King
Team:	Strategic Demand Connections
Email:	connections@ofgem.gov.uk

This document contains proposed textual changes to the Connection and Use of System Code to give effect to the Curate proposals as part of demand connections reform.

1. Introduction

1.1. This document contains marked up legal text changes of the Connection and Use of System Code (CUSC) sections 11, 6, 15 and 16 as set out in the Curate consultation document. Proposed additions are marked in red where set against existing CUSC text.

2. CUSC Section 11- Interpretation and Definitions

2.1. The proposed changes to CUSC Section 11 set out defined terms relevant to the proposals in the consultation document and provide defined terms required to support changes to section 15 and section 16 of CUSC.

2.2. The following defined terms have the meanings given in the tables below:

Data centre commitment Fee

Data Centre Service[1]	means for the purposes of **CUSC** a service consisting of the provision of a physical structure (a "**data centre**") which— (a) contains an area for the housing, connection and operation of **Relevant** **IT Equipment**, and (b) provides **Supporting Infrastructure** for or in connection with the operation of **Relevant IT equipment** AND which is not provided on an **Enterprise Basis** and where the **Rated IT Load** of the **Data Centre** is equal to or greater than 1 megawatt OR which is provided on an **Enterprise Basis** and where the **Rated IT Load** of the **Data Centre** is equal to or greater than 10 megawatt;
Data Centre Commitment Fee or DCCF	the component of the **Cancellation Charge** calculated in accordance with Part Six of Section 15;
DCCF Amendment Process	the process to amend the **DCCF MW Threshold** and/or **DCCF Value** set in Standard Condition [E18] of the **ESO Licence**;
DCCF Data Centre	means a project with a **Self-Declaration Letter** confirming that it is a **Data Centre Service** and which is equal to or above the **DCCF MW Threshold** and

	i. is to be directly connected to the **National Electricity Transmission System**; ii. is **Distributed Demand** and has gone through the **TEA Equivalent Process**;
DCCF Implementation Date	[*to be included at decision stage*]
DCCF MW Threshold	means a **Demand Capacity** or **Embedded Demand Capacity** at or above the MW capacity set out in the **DCCF Statement**;
DCCF Statement	the statement published (and amended from time to time) by **The Company** on the **Website** in accordance with Condition [E18] of the **ESO Licence** containing the **DCCF Value** and **DCCF MW Threshold;**
DCCF Value	the value for the calculation of the **DCCF** as set out the **DCCF Statement**;
Enterprise Basis	a **Data Centre Service** is provided on an enterprise basis if— (a) the data centre is owned or managed by a person in connection with the carrying on of an undertaking by the person, and (b) the sole purpose of the data centre is to provide information technology services for that undertaking.
Rated IT Load	the maximum electrical power available for the operation of **Relevant IT Equipment** housed in the **Data Centre**;
Relevant IT Equipment	means equipment used for the purposes of providing information technology services;
Self-Declaration Letter	means a letter provided in accordance with **CUSC [**x.2] confirming whether or not a project is identified as providing a **Data Centre Service**;
Supporting Infrastructure	means one or more of the following— (a) infrastructure for the supply of electricity; (b) infrastructure for environmental control; (c) infrastructure to ensure the security of the **Data Centre** and of **Relevant IT Equipment** in the data centre;

	(d) infrastructure to ensure the resilience of the data centre and of **Relevant IT Equipment** in the **Data Centre**;
TEA Equivalent Process	the process equivalent to a **Transmission Evaluation Application** adopted and applied by a **User** who owns or operates a **Distribution System** and **The Company** in respect of **Distributed Demand**;

Queue Management Milestones

Approved Long Lead Item	being either: (a) a transformer with a rating within the **Practical MVA Range** for the **Declared Connection Voltage**; or (b) switchgear with a short circuit rating within the **Common UK Switchgear Range** for the **Declared Connection Voltage**.
Common UK Switchgear Range	specifies short circuit ratings for voltage ranges from 6–11kV through 400kV;
DC MS Implementation Date	[*to be included at decision stage*]
Declared Connection Voltage	means the voltage system notified by the **User** to **The Company** at **DC Specific Progression Milestone** 6a (D);
DC Specific User Progression Milestones	the additional **User Progression Milestones** which are specific to a **Data Centre Service** and which are set out in Table 2 in Section 16
Lease or Sale Pathway	The pathway a User must self-select and progress down if it intends to lease or sell some or all of the data centre compute offtake once operational.
Relevant Applicant Group Company	Any company in the group of the applicant
Self-Operation Pathway	The pathway a **User** must self-select and progress down if it intends to self-operate the data centre once operational.

3. CUSC Section 6 – General Provision

3.1. The proposed changes to CUSC Section 6 set out additional self-declaration requirements for data centres, provisions for demand projects and data centres in scope, and to provide a self-declaration letter, process and consequences.

CUSC SECTION (new Section in CUSC Sec 6 as Paragraph 6.40)
[ADDITIONAL][SELF-DECLARATION] REQUIREMENTS FOR DATA CENTRES
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x.1 Introduction

Any demand directly connected to the **National Electricity Transmission System** or **Distributed Demand** in the **TEA Equivalent Process** is required to provide a **Self-Declaration Letter with its Gate 2 Application and also in the context of any Gate 2 Existing Agreements.**

The purpose of the **Self Declaration Letter** is to confirm whether or not the project is a **Data Centre Service** and parties are reminded of the need for this to be an honest and true reflection of the nature of the project.

x.2 Self-Declaration Process

x.2.1 For the purposes of **CUSC**, a **Self-Declaration letter** shall be provided as follows:

(a) in the case of a project with a **Gate 2 Existing Agreement**, provided to **The Company** on request and within [10] days of such request;

(b) in the case of a project that has been given Gate 2 status through the **Gated Process for Projects with Existing Agreements** and where a **Gate 2 Modification Offer** has not been made, provided to **The Company** with the acceptance of the **Gate 2 Modification Offer**;

(c) in the case of an existing **Distributed Demand** project in the **TEA Equivalent Process**, provided by the relevant owner/operator of the directly connected **Distribution System** to **The Company** on request and within [28] days of such request;

(d) in the case of any **Gate 2 Application**, provided to **The Company** with the application (and in addition to any other application requirements under **CUSC** and the relevant **CUSC** application process shall be construed accordingly as having this requirement);

(e) in the case of any **Modification Application** relating to a change in technology to any **Gate 2 Agreements**, provided to **The Company** with the application (and in addition to any other application requirements under **CUSC** and the relevant **CUSC** application process shall be construed accordingly as having this requirement)

(f) in the case of any application in respect of **Distributed Demand** project in the **TEA Equivalent Process**, provided by the relevant owner/operator of the directly connected **Distribution System** with the application to **The Company**.

x.2.2 The **Self-Declaration Letter** shall be signed

(a) by a Director of the **User** in the case of x.2.1 (a) and (b).

(b) by a Director of the **Distributed Demand** project in the case of x.2.1 (c) and provided to **The Company** by the owner/operator of the relevant directly connected **Distribution System**.

(c) by a Director of the project in respect of which the **Gate 2 Application** or **Modification Application** is being made in the case of x.2.1 (d) and (e).

(d) by a Director of the project in respect of which the application for **Distributed Demand** is being made in the case of x.2.1 (f).

Although the above references a Director, recognising the different project structures, the same principles as applied in the signature of the declaration as to readiness provided in a **Gate 2 Application** shall be applied to determine the appropriate signature for the **Self-Declaration Letter**.

x.2.2 In the case of **Distributed Demand** the owner/operator of the relevant directly connected **Distribution System** shall provide **The Company** with a copy of the **Self Declaration Letter**.

X.3 Consequences of Self-Declaration Letter

x.3.1 Where a **Self-Declaration Letter** is provided and the other criteria for a **DCCF Data Centre** are met, the **Data Centre Commitment Fee** component of the **Cancellation Charge** shall apply.

x.3.2 Where a **Self-Declaration Letter** is not provided, but at any time prior to the **Charging Date, The Company** or in the case of **Distributed Demand** the owner/operator of the directly connected **Distribution System** has reason to believe that the project is providing a **Data Centre Service**:

x.3.2.1 **The Company** (or in the case of **Distributed Demand**) the owner/operator of the relevant directly connected **Distribution System shall** raise the issue with the project and seek an explanation and any evidence from the project so it can satisfy itself as to whether a **Self-Declaration Letter** should have been provided;

x.3.2.2 where **The Company** (acting reasonably) still considers that a **Self-Declaration Letter** should have been provided and that if it had been the project would have been a **DCCF Data Centre The Company** shall unless within [6] months of **Charging Date** give the project an opportunity to provide a **Self-Declaration Letter**.

x.3.2.3 If the project does not provide the **Self-Declaration Letter** unless the project is within [6] months of the **Charging Date**, **The Company** shall be entitled to terminate the **Gate 2 Agreements** in respect of that project and the termination Clause in the **Construction Agreement** or **Associated DNO Construction Agreement** shall be construed accordingly.

x.3.2.4 Any dispute as to whether a **Self-Declaration Letter** should be provided shall be treated as an **Other Dispute** under **CUSC** Section 7.

4. CUSC Section 15 - User Commitment Methodology

4.1. The proposed changes to CUSC Section 15 set out changes to establish the principle and operation of the data centre commitment fee .

CUSC SECTION 15 USER COMMITMENT METHODOLOGY

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PART ONE INTRODUCTION

1 Where (a) a **Construction Agreement** and/or a **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** between a **User** and **The Company** is terminated or (b) there is a reduction in **Transmission Entry Capacity** or **Demand Capacity** by or in respect of such **User** or (c) there is a reduction in **Developer Capacity** or **Embedded Demand Capacity** in an **Associated DNO Construction Agreement** prior to the **Charging Date**, or (d) there is a reduction in **Interconnector User Commitment Capacity** by or in respect of such **User,** such **User** shall pay to **The Company** the **Cancellation Charge** calculated and applied in accordance with Part Two of this Section 15

2 For the avoidance of doubt in the case of an **Embedded Power Station** in respect of which there is a **Bilateral Embedded Generation Agreement** with **The Company** and where there is an **Associated DNO Construction Agreement**, the **Cancellation Charge** payable by the **Embedded Power Station** will not include the **Attributable Works Cancellation Charge** or (from the **PCF Activation Date**) the **Progression Commitment Fee** components of the **Cancellation Charge**. In such case the **Attributable Works Cancellation Charge** and the **Progression Commitment Fee** components of the **Cancellation Charge** will be payable by the **User** who is party to the **Associated DNO Construction Agreement**.

For the avoidance of doubt in the case of:

a) A **User** who is party to an **Associated DNO Construction Agreement**
b) **Distributed Generation** (other than an **Embedded Power Station** which is the subject of a **Bilateral Embedded Generation Agreement**),
c) **Distributed Demand**

the **Cancellation Charge** does not apply for reductions in **Developer Capacity** or **Embedded Demand Capacity** on or after the **Charging Date** or termination on or after the **Charging Date**.

From the **PCF Activation Date** the **Cancellation Charge** shall include the **Progression Commitment Fee** payable in accordance with this Section 15 provided that the **Progression Commitment Fee** is not applicable to and payable on a reduction in or termination of **Demand Capacity** or **Embedded Demand Capacity** and references to **Progression Commitment Fee** shall be construed accordingly in this Section 15**.** For the avoidance of doubt, the **Progression Commitment Fee** is not payable before the **PCF Activation Date**.

For a **DCCF Data Centre**, the **Cancellation Charge** shall also include the **Data Centre Commitment Fee** component of the **Cancellation Charge** on a reduction in or termination of **Demand Capacity** or **Embedded Demand Capacity** and references to **Cancellation Charge** shall be construed accordingly.

For the avoidance of doubt, in addition to the **Cancellation Charge**, **Termination Amounts** also apply in respect of **Transmission Connection Assets**.

3 **The Company** shall apply and calculate the **Cancellation Charge** in accordance with Part Two and, in the context of the **Data Centre Commitment Fee**, Part Six of this Section 15.

The **Cancellation Charge** is made up of a number of components: the “**Pre Trigger Amount**”, “**Attributable Works Cancellation Charge**”, “**Wider Cancellation Charge**” and (from the **PCF Activation Date)** the “**Progression Commitment Fee**” which apply at different stages and for **DCCF Data Centres**, the **Data Centre Commitment Fee**.

4 As provided for at Paragraph 3.5, the **Attributable Works Cancellation Charge** can be (at the **User’s** election in accordance with Paragraph 7) on the basis of the **Fixed Cancellation Charge** (Paragraph 3.6) rather than the **Actual Attributable Works Cancellation Charge** (Paragraph 3.7).

5 This Section 15 also sets out in Part Three the level of, and arrangements for, security required in respect of the **Cancellation Charge**.

6 **The Company** shall apply and calculate the **Cancellation Charge Secured Amount** in accordance with this Section 15 Part Three.

7 This Section 15 also sets out in Part Four the reconciliation process in respect of the **Actual Attributable Works Cancellation Charge**.

7A This Section 15 also sets out in Part Five the detail on the activation and administration of the **Progression Commitment Fee**.

7B This Section 15 also sets out in Part [Six] the **Data Centre Commitment Fee**.

8 For reference a number of terms used in this Section 15 are defined within this Section 15.

9 **Distributed Generation** and **Distributed Demand**

Users with an **Associated DNO Construction Agreement** are liable for the **Cancellation Charge** (or for **Distributed Generation** with a **Bilateral Embedded Generation Agreement**, the **Attributable Works Cancellation Charge,** and (from the **PCF Activation Date**) the **Progression Commitment Fee** components of the **Cancellation Charge**) on a reduction in **Developer Capacity, Embedded Demand Capacity** (or in the case of

Distributed Generation with a **Bilateral Embedded Generation Agreement**,

Transmission Entry Capacity) and/or termination of the **Construction**

Agreement between **The Company** and the **User**. Given this such **Users** will

have arrangements in place with any **Distributed Generation** or **Distributed Demand** (including **DCCF Data Centres**) which are the subject of the **Associated DNO Construction Agreement** for reimbursement by the **Distributed Generation** or **Distributed Demand** of the **Cancellation Charge** and recognising this there are specific payment arrangements between the **User** and **The Company** provided for in the **Construction Agreement** between the **User** and **The Company**.

10 Where there is the connection and/or use of system provided for more than one technology in the same **Construction Agreement** and/or **Bilateral Connection Agreement** and there is both **Transmission Entry Capacity** and **Demand Capacity** (or **Developer Capacity** and **Embedded Demand Capacity**), the **Cancellation Charge** will only apply for reduction to the higher of **Transmission Entry Capacity** or **Demand Capacity** (or **Developer Capacity** or **Embedded Demand Capacity**).

11 Where connection is provided for a **DCCF Data Centre** and another technology or other technologies in the **Construction Agreement** or **Associated DNO Construction Agreement** the **Data Centre Commitment Fee** shall only apply to the **Demand Capacity** or **Embedded Demand Capacity** of the **DCCF Data Centre**. Provided that where the **Demand Capacity** or **Embedded Demand Capacity** of the **DCCF Data Centre** has not been separately recorded the **Data Centre Commitment Fee** shall apply to the capacity of the overall project within the **Construction Agreement** or **Associated DNO Construction Agreement**.

PART TWO CALCULATION OF CANCELLATION CHARGE

1.1 The **Cancellation Charge** payable shall be calculated in accordance with this Part Two and, in the case of a **DCCF Data Centre**, Part Six of Section 15.

1.2 Value Added Tax will be payable on any **Cancellation Charge**.

2 Completion Date and Trigger Date

2.1 In making an **Offer** to a **User The Company** will consider the **Construction Works** and **Construction Programme** associated with that **Offer** and taking into account the nature and programming of the **Construction Works** and the **Consents** associated with this will identify dates in the **Construction Agreement** as the **Completion Date**.

2.2 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**).

2.3 The **Trigger Date** is the date from which the **Wider Cancellation Charge** applies and the date from which, in the case of the **Fixed Cancellation Charge**, the **Fixed Attributable Works Cancellation Charge** rather than the **Pre Trigger Amount** applies. Prior to the **Trigger Date**, only the **Attributable Works Cancellation Charge** applies, or in case of the **Fixed Cancellation Charge**, the **Pre Trigger Amount** applies.

2.4 **Changes to Construction Programme or Construction Works or Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity**

2.4.1 Where the **Construction Programme** or the **Construction Works** or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector**

User Commitment Capacity or **Demand Capacity** or **Embedded Demand Capacity** subsequently changes from that in the original **Construction Agreement** the following principles will apply in respect of reassessing the **Trigger Date** and the **Cancellation Charge**.

2.4.2 Where such change is as a result of **The Company's** exercise of its rights under the **Construction Agreement** then:

i. Where there is a delay to the **Completion Date** and the **Trigger Date** has not passed, the **Trigger Date** will be revised by reference to the revised **Completion Date.** The period for which the **Pre Trigger Amount** applies, will be adjusted to reflect the new **Trigger Date**;
ii. Where there is a delay to the **Completion Date** and the **Trigger Date** has passed, the **Trigger Date** will be revised by reference to the revised **Completion Date** and the **Cancellation Charge** (including the **Cancellation Charge Profile**) will be adjusted to reflect the revised date.
iii. In the case of a **Fixed Cancellation Charge**, a change in the **Attributable Works** will not adjust the **Cancellation Charge Profile** unless the **Completion Date** has also changed in which case (ii) above will apply.

2.4.3 Where a change is as a result of the **User's** request then, notwithstanding any change in the **Completion Date**;

i. Where there is a delay to the **Completion Date** and the **Trigger Date** has not passed, the **Trigger Date** will be revised by reference to the revised **Completion Date**. The period for which the **Pre Trigger Amount** applies, will be adjusted to reflect the new **Trigger Date**;
ii. Where there is a delay to the **Completion Date** and the **Trigger Date** has passed, the **Trigger Date** will not be revised by reference to the revised **Completion Date** and the **Cancellation Charge** will not be adjusted downwards but will be held at that level and will increase from that level in line with any new **Construction Programme.**

3 Calculation of Cancellation Charge

3.1 The **Cancellation Charge** is the charge due to **The Company** by a **User** on termination of a **Construction Agreement**, **Disconnection** or a reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or

Demand Capacity or **Embedded Demand Capacity** prior to the **Charging Date** and **Disconnection** or a reduction in **Transmission Entry Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** on or after the **Charging Date**.

3.2 This calculation of the **Cancellation Charge** is different:

a) where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** is reduced before the **Trigger Date** (the "**Pre Trigger Amount**" or "**Actual Attributable Works Cancellation Charge**") (Paragraphs 3.6.1 and 3.7);

b) where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** is reduced on or after the **Trigger Date** but prior to the **Charging Date** (the "**Fixed Attributable Works Cancellation Charge**" or "**Actual Attributable Works Cancellation Charge**" and the "**Wider Cancellation Charge**") (Paragraphs 3.5 to 3.8);

c) depending whether the **Attributable Works Cancellation Charge** is a **Fixed Cancellation Charge** or **Actual Attributable Works Cancellation Charge** (Paragraphs 3.5 to 3.7);

d) where the **Transmission Entry Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** is reduced or **Disconnection** occurs on or after the **Charging Date** (the "**Wider Cancellation Charge**") (Paragraph 3.8);

e) from the **PCF Activation Date**, depending on the value of the **Progression Commitment Fee** calculated in accordance with Part Five of this Section 15.

f) Where the project is a **DCCF Data Centre** in which case the **Data Centre Commitment Fee** component of the **Cancellation Charge** will also apply in accordance with Part [Six] of this Section 15.

3.3 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or **Demand Capacity** or **Embedded Demand Capacity is reduced before the Trigger Date**

Where a **Construction Agreement** is terminated or **Transmission Entry Capacity** is reduced or **Developer Capacity** or **Demand Capacity** or **Embedded Demand**

Capacity is reduced or **Interconnector User Commitment Capacity** is reduced before the **Trigger Date** the **Cancellation Charge** shall be calculated as follows:

(a) Before the **PCF Activation Date** or where the **PCF Activation Date** has not been set:

Cancellation Charge = Attributable Works Cancellation Charge

(b) From the **PCF Activation Date**:

Cancellation Charge = ***Attributable Works Cancellation Charge*** *plus* ***Progression Commitment Fee***

3.4 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or **Demand Capacity** or **Embedded Demand Capacity is reduced on or after the Trigger date but prior to the Charging Date**

Where a **Construction Agreement** is terminated or **Transmission Entry Capacity** is reduced or **Developer Capacity** is reduced or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** is reduced on or after the Trigger date but prior to the **Charging Date** the **Cancellation Charge** shall be calculated as follows:

(a) Before the **PCF Activation Date** or where the **PCF Activation Date** has not been set:

Cancellation Charge = Attributable Works Cancellation Charge *plus* ***Wider Cancellation Charge***

(b) From the **PCF Activation Date**:

Cancellation Charge = ***Attributable Works Cancellation Charge*** *plus* ***Wider Cancellation Charge*** *plus* ***Progression Commitment Fee.***

The following Paragraphs set out in detail the **Attributable Works Cancellation Charge** and **Wider Cancellation Charge** and Paragraph 3.7 sets out the above calculation by formula.

3.5 Attributable Works Cancellation Charge

The **Attributable Works Cancellation Charge** can be either the **Fixed Cancellation Charge** or **Actual Attributable Works Cancellation Charge**.

3.6 Fixed Cancellation Charge

The calculation of the **Fixed Cancellation Charge** is different where the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** is reduced before ("**Pre Trigger Amount**") or on or after the **Trigger Date** ("**Fixed Attributable Works Cancellation Charge**").

3.6.1 Pre Trigger Amount

Should a **Construction Agreement** be terminated, or **Transmission Entry Capacity** be reduced or **Developer Capacity** be reduced or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** be reduced before the **Trigger Date** the **Fixed Cancellation Charge** is the **Pre Trigger Amount** calculated as a £/MW figure by reference to the **Cancellation Charge Profile** and derived in accordance with the formula at Paragraph 3.9 and set out in the **Notification of Fixed Cancellation Charge** by reference to which an election is made in accordance with Paragraph 7:

3.6.2 Fixed Attributable Works Cancellation Charge

Where a **Construction Agreement** is terminated or **Transmission Entry Capacity** is reduced or **Developer Capacity** is reduced or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** is reduced on or after the **Trigger Date** but prior to the **Charging Date** the **Fixed Cancellation Charge** is the **Fixed Attributable Works Cancellation Charge** calculated as follows:

Fixed Attributable Works Cancellation Charge = (***Attributable Works Cancellation Amount x MW Reduction in Transmission Entry Capacity*** *or* ***Developer Capacity*** *or* ***Interconnector User Commitment Capacity*** or **Demand Capacity** or **Embedded Demand Capacity***) x* ***Cancellation Charge Profile***

Where the ***Attributable Works Cancellation Amount*** *results in a £/MW figure calculated as follows:*

*(****Estimated Attributable Works Capital Cost*** *x (1 –* ***Local Asset Reuse Factor****) x* ***Strategic Investment Factor*** x ***Distance Factor****) /* ***Transmission Entry Capacity or***

Developer Capacity **or Interconnector User Commitment Capacity or Demand Capacity or Embedded Demand Capacity**

Where the ***Estimated Attributable Works Capital Cost*** *is the fair and reasonable estimate of the* ***Attributable Works Capital Cost*** *for each component within the* ***Attributable Works*** *and which is as set out in the* ***Notification of Fixed Cancellation Charge*** *by reference to which an election is made in accordance with Paragraph 6.*

Where the ***Attributable Works*** *are as specified in Appendix MM of the* ***Construction Agreement*** *at the time of the* ***Notification of Fixed Cancellation Charge*** *by reference to which an election is made in accordance with Paragraph 6.*

Where the ***Local Asset Reuse Factor*** *is the factor representing the potential for reuse of each component within the* ***Attributable Works*** *as set out in the* ***Notification of Fixed Cancellation Charge*** *by reference to which an election is made in accordance with Paragraph 6.*

Where the ***Strategic Investment Factor*** *is a factor calculated for each component within the* ***Attributable Works*** *as a ratio of the* ***Transmission Entry Capacity*** *and/or* ***Developer Capacity*** *and/*or **Interconnector User Commitment Capacity and/**or **Demand Capacity** and/or **Embedded Demand Capacity** *sharing those* ***Attributable Works*** *against the secured capability of the* ***Transmission*** *assets and set out in the* ***Notification of Fixed Cancellation Charge*** *by reference to which an election is made in accordance with Paragraph 6. For the avoidance of doubt a* ***Modification*** *to any already connected project will only take into account any incremental capacity over that which is included in the existing agreement.*

Where the ***Distance Factor*** *is a factor calculated for each component within the* ***Attributable Works*** *as a ratio of distance to the nearest suitable MITS substation and distance to the MITS substation where the* ***Attributable Works*** *connect as set out in the* ***Notification of Fixed Cancellation Charge*** *by reference to which an election is made in accordance with Paragraph 6. This factor is only valid for components where distance is relevant i.e. cables and overhead lines.*

Where the ***Cancellation Charge Profile*** *is the profile derived in accordance with the formula at Paragraph 3.10 and set out in the* ***Notification of Fixed Cancellation Charge*** *by reference to which an election is made in accordance with Paragraph 6.*

3.6.3 The **Pre Trigger Amount** and the **Attributable Works Cancellation Amount** (and the factors used in deriving this) and the **Cancellation Charge Profile** are fixed at the time an election is made in accordance with Paragraph 7 and the **Pre Trigger Amount**

and **Attributable Works Cancellation Amount** are not subject to any further specific adjustment, reconciliation or credit should any of the **Transmission** assets resulting from the **Attributable Works** be reused or of benefit to other **Users**.

3.7 Actual Attributable Works Cancellation Charge

3.7.1 The **Actual Attributable Works Cancellation Charge** is the **Attributable Works Capital Cost** in respect of each component within the **Attributable Works** at the time at which the **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** is reduced including (a) fees, expenses and costs properly payable by **The Company** in respect of, or arising from the termination by **The Company** or any third party of any contract for or relating to the carrying out of any of the **Attributable Works** provided it is negotiated on an arms length basis (including any such arising under the **STC**) and (b) a sum equal to the reasonable costs of removing any **Transmission Connection Assets** and of making good the remaining **Plant** and **Apparatus** following such removal and (c) proper and reasonable expenses incurred and or paid or which **The Company** is legally bound to incur of pay in seeking **Consents** for the **Attributable Works** and (d) interest on any such amounts from the date they were paid by **The Company** to the date of **The Company's** invoice at 2% over **Base Rate** from time to time and for the time being provided that in each case **The Company** shall take into account the **Local Asset Reuse Factor**, the **Strategic Investment Factor** and the **Distance Factor** as calculated in paragraph 3.6.2, of the **Attributable Works** and any of the resulting **Transmission** assets.

3.7.2 In the case of the **Actual Attributable Works Cancellation Charge**, on termination of the **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** prior to the **Charging Date**, **The Company** shall be entitled to invoice the **User** for a sum equal to **The Company's** fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** and so (a) in the case of termination, the **User** shall pay to **The Company** on account of the **Actual Attributable Works Cancellation Charge** a sum equal to the estimate of **Actual Attributable Works Cancellation Charge** as shown in the **Cancellation Charge Statement** for the period in which the termination occurs and (b) in the case of a reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded**

Demand Capacity, a sum by reference to the MW reduction based on the £/MW figure derived from the estimate of **Actual Attributable Works Cancellation Charge** as shown in the **Cancellation Charge Statement** for the period in which the termination occurs. These will then be subject to reconciliation in accordance with this Section 15 Part Four.

3.8 Wider Cancellation Charge

The **Wider Cancellation Charge** results in a £/MW charge calculated as follows:

Zonal Unit Amount *x (MW of reduction in* ***Transmission Entry Capacity*** *or* ***Developer Capacity*** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity***) x* ***Cancellation Charge Profile***

The **Zonal Unit Amount** is a £/MW figure calculated by reference to the **ETYS** Zone in which the **User's** project is to be located as set out in the **Cancellation Charge Statement**. It is calculated by reference to the **Annual Wider Cancellation Charge Statement** for the **Financial Year** in which notice of reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** is given and/or notice of **Disconnection** is given or, where in the case of an **Event of Default** where notice is not given, the **Financial Year** in which the reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** or **Disconnection** occurs.

Where the ***Zonal Unit Amount*** *=* ***Load Related Boundary Capex*** *apportioned to* ***Boundaries*** *by* ***Boundary (LR) Level*** *and* ***Non Load Related Boundary Capex*** *apportioned to* ***Boundaries*** *by* ***Boundary (NLR) Level****, summated and multiplied by* ***Boundary Non Compliance Factors*** *and then mapped to* ***ETYS*** *Zones and divided by the* ***Wider User Commitment Liability Base****, excluding those* ***Users*** *in respect of which a* ***Construction Agreement*** *has terminated or* ***The Company*** *has been notified of a reduction in the* ***Transmission Entry Capacity*** *or* ***Developer Capacity*** *or* ***Interconnector User Commitment Capacity*** or **Demand Capacity** or **Embedded Demand Capacity** *or* ***Disconnection*** *within the period in question.*

Where ***Load Related Boundary Capex*** *is the capex required to increase capability in the network as determined by* ***The Company*** *for a given* ***Financial Year****, excluding any* ***Attributable Works Capital Cost****, multiplied by the* ***User Risk Factor*** *and the* ***Global Asset Reuse Factor****, as set out in the* ***Annual Wider Cancellation Charge Statement****.*

*Where **Non Load Related Boundary Capex** is the capex required to maintain capability in the network as determined by **The Company** for a given **Financial Year**, excluding any **Attributable Works Capital Cost**, multiplied by the **User Risk Factor** and the **Global Asset Reuse Factor**, as set out in the **Annual Wider Cancellation Charge Statement**.*

*Where the **User Risk Factor** is the share of total risk applied to **Users** who pay for the **Wider Cancellation Charge**, set at 0.5.*

*Where the **Global Asset Reuse Factor** for a given **Financial Year** is as set out in the **Annual Wider Cancellation Charge Statement**.*

*Where the **Boundaries** are as detailed in Section 8 of the **Electricity Ten Year Statement (ETYS)**.*

*Where **Boundary (LR) Level** is the depth of each **Boundary** as determined by **The Company** multiplied by the increase in required capability on that **Boundary** over the forthcoming four year period, as set out in the **Electricity Ten Year Statement (ETYS)**.*

*Where **Boundary (NLR) Level** is the depth of each **Boundary** as determined by **The Company** multiplied by the available capability on that **Boundary** in the year in question, as set out in the **Electricity Ten Year Statement (ETYS)**.*

*Where **Boundary Non Compliance Factors** are the ratio between the available capability and required capability on each **Boundary** as detailed in Section 8 of the **Electricity Ten Year Statement (ETYS)**, capped at 100%.*

*Where **ETYS** Zones are (a) as defined in the **Electricity Ten Year Statement (ETYS)** for the **Financial Year** in which the termination or reduction in **Transmission Entry Capacity** or reduction in **Developer Capacity** or reduction in **Interconnector User Commitment Capacity*** or termination or reduction in **Demand Capacity** or termination or reduction in **Embedded Demand Capacity** *occurs prior to the **Charging Date** (or where not so defined as set out in the relevant **Cancellation Charge Statement**) or (b) as defined in the **Electricity Ten Year Statement (ETYS)** for the **Financial Year** in which the notice of **Disconnection** or reduction in **Transmission Entry Capacity** or **Demand Capacity** occurs on or after the **Charging Date**.*

*Where the **Wider User Commitment Liability Base** is the total amount of generation and **Interconnector User Commitment Capacity** and demand in MW liable for the **Wider Cancellation Charge** in the year in question and the total amount of generation* *and **Interconnector User Commitment Capacity** and demand in MW which will become liable for the **Wider Cancellation Charge** in the year in question and set out in the **Annual Wider Cancellation Charge Statement**.*

*Where the **Cancellation Charge Profile** is the profile derived in accordance with the formula at Paragraph 3.10 or 3.11, as appropriate.*

3.9 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or Demand Capacity or Embedded Demand Capacity is reduced before the Trigger Date

Should a **Construction Agreement** be terminated, or **Transmission Entry Capacity** be reduced or **Developer Capacity** be reduced or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** be reduced before the **Trigger Date,** before the **PCF Activation Date** or where the **PCF Activation Date** has not been set, the **Cancellation Charge** shall be calculated as follows:

Cancellation Charge = Either the Actual Attributable Works Charge or, where on the Fixed Attributable Works Cancellation Charge, a charge calculated as follows:

Reduction in Transmission Entry Capacity or Reduction in Developer Capacity or Reduction in Interconnector User Commitment Capacity or reduction in Demand Capacity or reduction in Embedded Demand Capacity x Pre Trigger Amount$_t$

Where:

- *Transmission Entry Capacity /Developer Capacity /Interconnector User Commitment Capacity /Demand Capacity /Embedded Demand Capacity expressed in MW.*
- *Termination of Construction Agreement equates to a reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or Demand Capacity or Embedded Demand Capacity to zero*
- *Pre Trigger Amount$_t$ which varies according to the number of Financial Years from the date of the Construction Agreement to the Trigger Date:*
    - *up to the end of the first Financial Year (i.e. t =1), the lower of either (a) Pre Trigger Amount$_t$ = (£1000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.*
    - *Where t = 2, the lower of either (a) Pre Trigger Amount$_t$ = (£2000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would*

apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.

- *Where t ≥ 3 up to Trigger Date,the lower of either (a) Pre Trigger Amount$_t$ = (£3000/MW) or (b) a sum equivalent to the Cancellation Charge (and if not known an estimate of this) which would apply in the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs.*

3.9A From the **PCF Activation Date**, should a **Construction Agreement** be terminated, or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** be reduced before the **Trigger Date**, the **Cancellation Charge** shall be the amount calculated using the formula in Paragraph 3.9 plus the **Progression Commitment Fee.**

3.10 Where the Construction Agreement is terminated or Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or **Demand Capacity** or **Embedded Demand Capacity is reduced on or after the Trigger Date but prior to the Charging Date**

Where a **Construction Agreement** is terminated or **Transmission Entry Capacity** is reduced or **Developer Capacity** is reduced or **Interconnector User Commitment Capacity** is reduced or **Demand Capacity** is reduced or **Embedded Demand Capacity** is reduced on or after the **Trigger Date** but prior to the **Charging Date,** before the **PCF Activation Date** or where the **PCF Activation Date** has not been set, a **User** shall pay the **Cancellation Charge** calculated as follows:

Cancellation Charge = the sum of (a) Fixed Attributable Works Cancellation Charge or Actual Attributable Works Cancellation Charge and (b) Wider Cancellation Charge.

a) *Either the Actual Attributable Works Charge or, where on the Fixed Attributable Works Cancellation Charge, a charge calculated as follows:*

Where:

- *Termination of Construction Agreement equates to reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or Demand Capacity or Embedded Demand Capacity to zero*
- *Fixed Attributable Works Cancellation Charge = Attributable Works Cancellation Amount x MW reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or Demand Capacity or Embedded Demand Capacity x Cancellation Charge Profile$_t$*

- *Cancellation Charge Profile$_t$ which varies according to the number of Financial Years working back from the Charging Date to the Trigger Date:*
    - *In the Financial Year in which the Charging Date occurs (t=0), Cancellation Charge Profile = 1.0,*
    - *In the Financial Year which is 1 Financial Year prior to the Financial Year in which the Charging Date occurs (t=1), Cancellation Charge Profile = 0.75;*
    - *In the Financial Year which is 2 Financial Years prior to the Financial Year in which the Charging Date occurs (t=2), Cancellation Charge Profile = 0.5; and*
    - *In the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs (t=3), Cancellation Charge Profile, = 0. 25.*

AND

(b) *Wider Cancellation Charge*

Where:

- *Termination of Construction Agreement equates to reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or Demand Capacity or Embedded Demand Capacity to zero*
- *Wider Cancellation Charge = Zonal Unit Amount x reduction in Transmission Entry Capacity or Developer Capacity or Interconnector User Commitment Capacity or Demand Capacity or Embedded Demand Capacity x Cancellation Charge Profile $_t$*
- *Cancellation Charge Profile$_t$ which varies according to the number of Financial Years working back from the Charging Date to the Trigger Date:*
    - *In the Financial Year in which the Charging Date occurs (t=0), Cancellation Charge Profile = 1.0,*
    - *In the Financial Year which is 1 Financial Year prior to the Financial Year in which the Charging Date occurs (t=1), Cancellation Charge Profile = 0.75;*
    - *In the Financial Year which is 2 Financial Years prior to the Financial Year in which the Charging Date occurs (t=2), Cancellation Charge Profile = 0.5; and*

- *In the Financial Year which is 3 Financial Years prior to the Financial Year in which the Charging Date occurs (t=3), Cancellation Charge Profile = 0.25.*

3.10A From the **PCF Activation Date**, where a **Construction Agreement** is terminated or **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is reduced on or after the **Trigger Date** but prior to the **Charging Date**, the **Cancellation Charge** shall be the amount calculated using the formula in Paragraph 3.10 plus the **Progression Commitment Fee.**

3.11 Where the Transmission Entry Capacity or **Interconnector User Commitment Capacity or Demand Capacity is reduced or Notice of Disconnection is given on or after the Charging Date**

The **Cancellation Charge** payable on notice of **Disconnection** and/or a reduction in **Transmission Entry Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** on or after the **Charging Date** is calculated on a £/MW basis as follows by reference to the **Zonal Unit Amount** for the **Financial Year** in which the notice is given:

Cancellation Charge = Wider Cancellation Charge

Where:

- *Disconnection equates to reduction in Transmission Entry Capacity or Interconnector User Commitment Capacity or Demand Capacity to zero*
- *Wider Cancellation Charge = Zonal Unit Amount for year in which notice of disconnection or reduction is given x reduction in Transmission Entry Capacity or Interconnector User Commitment Capacity or Demand Capacity x Cancellation Charge Profile* $_t$.
- *Cancellation Charge Profile*$_t$ *which varies according to the number of Financial Years notice given from the date of notification to Disconnection or reduction in Transmission Entry Capacity or Interconnector User Commitment Capacity or Demand Capacity*:
  - *where notice is given in the Financial Year in which such notice is to take effect (t=0) Cancellation Charge Profile = 1,*

- *except as provided below where notice is given in the Financial Year prior to the Financial Year in which such notice is to take effect (t=1), Cancellation Charge Profile = 0.75,*
- *where notice of reduction of Transmission Entry Capacity is given in the CMP 213 Judicial Review Period which is within a Financial Year prior to the CMP213 Financial Year in which such notice is to take effect (t=1), for the purposes of the Cancellation Charge such notice shall be deemed to have been given in timescales such that the Cancellation Charge Profile = zero where;*
  - *the "CMP213 Judicial Review Period" means the period of 20 Business Days (inclusive) from the day on which (having exhausted all appeals) the Judicial Review proceedings against the Authority's decision to approve Approved CUSC Modification 213 are concluded*
  - *The « CMP213 Financial Year » means the Financial Year in which Approved CUSC Modification 213 is directed by the Authority to take effect,*
- *where notice is given in the Financial Year which is two Financial Years prior to the Financial Year in which such notice is to take effect (t=2), Wider Cancellation Charge = zero.*

4 Annual Wider Cancellation Charge Statement

4.1 By not later than 31 January prior to the start of each **Financial Year The Company** will publish a statement showing:

a) the **Zonal Unit Amount** by **ETYS** Zone for **Generation** and demand in that **Financial Year**;

b) the **Wider User Commitment Liability Base** for that **Financial Year**;

c) the **Total TO Capex** for that **Financial Year** (*where the **Total TO Capex** is the forecast of the **Load Related Boundary Capex** and **Non Load Related Boundary Capex** for a given **Financial Year**, excluding the total **Attributable Works Capital Cost**);*

d) a forecast of the **Total TO Capex** for the following three **Financial Years**;

e) the **Global Asset Reuse Factor** for that **Financial Year**;

f) the **Boundary Non Compliance Factors** for that **Financial Year**;

g) a forecast of the **Zonal Unit Amount** by **ETYS** Zone for **Generation** and demand the following three **Financial Years**;

h) the proportion of the **Cancellation Charge** that is required to be secured prior to (and including) and after the **Key Consents in Place Date**.

4.2 In the event that for any **Financial Year** it is proposed to change the **Global Asset Reuse Factor** or the proportion of the **Cancellation Charge** that is required to be secured prior to (and including) and after the **Key Consents in Place Date** from that set out in the **Annual Wider Cancellation Charge Statement** for the previous **Financial Year**, **The Company** shall not make such change without first consulting on the change (and its provision in electronic form on the Website and in electronic mails to **CUSC Parties** and such other persons who have supplied relevant details shall meet this requirement).

5. Statement of Cancellation Charge

5.1 With an **Offer The Company** shall provide each **User** with an indicative profile of the estimated spend in respect of the **Attributable Works** and a **Notification of Fixed Cancellation Charge**.

5.2 Cancellation Charge Statement

5.2.1 **The Company** shall issue a **Cancellation Charge Statement** to a **User** showing the amount of the payment required or which may be required to be made by the **User** to **The Company** in respect of the **Cancellation Charge** prior to the **Charging Date** at the following times and in respect of the following periods:-

a) Forthwith on and with effect from the signing of the **Construction Agreement**, in respect of the period from and including the day of signing of the **Construction Agreement** until the next following 30 September or 31 March, whichever is the earlier; and thereafter

b) not less than 75 (seventy five) days (or if such day is not a **Business Day** the next following **Business Day**) prior to each 30 September and 31 March thereafter in respect of the period of six calendar months commencing on the immediately following 1 October or 1 April (as the case may be), until the earlier of either the termination of the relevant **Construction Agreement** or the **Charging Date**.

5.2.2 From the **PCF Activation Date**, **The Company** may also issue a **Cancellation Charge Statement** to a **User** showing the amount of the payment required or which may be required to be made by the **User** to **The Company** in respect of the **Cancellation Charge** prior to the **Charging Date** where:

(i) there is a change in the payable **Progression Commitment Fee** during a **Security Period**: or

(ii) **The Company** has otherwise received updated information from the owner/operator of a **Distribution System** in relation to the payable **Progression Commitment Fee**,

and the **Cancellation Charge Statement** shall be in respect of the period from the **Cancellation Charge Statement** being issued until the next following 30 September or 31 March, whichever is earlier.

5.3 If a **User** does not elect for the **Fixed Cancellation Charge** (unless and until a **User** subsequently elects for a **Fixed Cancellation Charge** as provided for at Paragraph 7 or advises **The Company** that it does not wish to receive this) **The Company** shall provide a **Notification of Fixed Cancellation Charge** and an estimate of the **Actual Attributable Works Cancellation Charge** with each **Cancellation Charge Statement**.

5.4 The **Actual Attributable Works Cancellation Charge** shall apply unless and until a **User** elects for a **Fixed Cancellation Charge** in accordance with Paragraph 7.

5.5 Estimating the Actual Attributable Works Cancellation Charge

In the case of the **Actual Attributable Works Cancellation Charge**, the **Cancellation Charge Statement** shall set out a fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** for the 6 month period and, for the project generally. In addition the 6 month estimate of the **Actual Attributable Works Cancellation Charge** shall, for the purposes of assessing the **Cancellation Charge Secured Amount**, be prorated on a MW basis between those **Users** who share a component within the **Attributable Works**.

6 Electing for the Fixed Cancellation Charge

6.1 To elect for the **Fixed Cancellation Charge**, a **User** must notify **The Company** to this effect by (a) returning a signed copy of the **Notification of Fixed Cancellation Charge** with its acceptance of the **Construction Agreement** or (b) , where a **User** does not elect at that time, it can elect 45 days (or if such day is not a **Business Day** the next following **Business Day**) prior to each 30 September or 31 March thereafter by returning a signed copy of the **Notification of Fixed Cancellation Charge** as provided with the relevant **Cancellation Charge Statement**.

6.2 Once a **User** has elected for the **Fixed Cancellation Charge**, the **Pre Trigger Amount**, **Fixed Attributable Works Cancellation Charge** and **Cancellation Charge Profile** will then be fixed as that set out in the **Notification of Fixed Cancellation Charge** by reference to which such election was made and a **User** cannot revert to the **Actual Attributable Works Cancellation Charge**. For the avoidance of doubt, where the **User** has elected for the **Fixed Attributable Works Cancellation Charge** and **Construction Works** relating to that charge are subsequently designated as **Excepted Works** an adjustment will be made to the **Fixed Attributable Works Cancellation Charge** to remove the cost of the **Excepted Works** from the **Fixed Attributable Works Cancellation Charge**.

6.3 If the **User** becomes aware that the bank or insurance company issuing the **Performance Bond** or **Letter of Credit** ceases to be a **Qualified Bank** or that the company giving the **Performance Bond** ceases to be a **Qualified Company**, the **User** shall so notify **The Company** in writing as soon as it becomes so aware. If **The Company** becomes aware that the bank or insurance company issuing the **Performance Bond** or **Letter of Credit** ceases to be a **Qualified Bank** or that the company giving the **Performance Bond** ceases to be a **Qualified Company**, **The Company** may notify the **User** to that effect in writing. Where the bank, insurance company or the company so ceases to be either a **Qualified Bank** or a **Qualified Company** (as the case may be) as a consequence of **The Company** having reasonable cause to doubt the continued rating of the said bank, insurance company or company, such notice shall be accompanied by a statement setting out **The Company's** reasons for having such doubt. The **User** shall within 21 days of the giving of such notice by **The Company** or the **User** whichever is the earlier provide a replacement **Performance Bond** and/or **Letter of Credit** from a **Qualified Bank** or **Qualified Company**, as the case may be, and/or provide a cash deposit in the required amount in a **Bank Account**. From the date the replacement **Performance Bond** or **Letter of Credit** or **Bank Account** cash deposit is effectively and unconditionally provided and **Valid**, **The Company** will consent in writing to the security which it replaces being released.

7 Cancellation Charge Secured Amount Statement

7.1 Where a **User** has to provide security in accordance with Part Three of this Section 15 the **Cancellation Charge Statement** shall be accompanied by the **Cancellation Charge Secured Amount Statement**.

7.2 The **Cancellation Charge Secured Amount** shall be based on the highest level of **Cancellation Charge** due within the period covered by the **Cancellation Charge Secured Amount Statement**.

8 Demand Transition to User Commitment

8.1 The effect of **CUSC Modification Proposal** CMP417 is to change the final sums arrangements that currently apply for certain categories of **Users** to those in this Section 15. This Paragraph 9 shows how **Users** in the categories of (a) **Distribution Systems** directly connected to the **National Electricity Transmission System,** (b) **Non-Embedded Customers** and (c) **Users** who have an **Associated DNO Construction Agreement** which includes **Distributed Demand** with **Construction Agreements** where the **Construction Works** will not be completed by the **Implementation Date** of **CUSC Modification Proposal** CMP417 ("**Existing 417 Construction Agreements**") will transition to these new arrangements.

8.2 The provisions of Section 15 (as amended by **CUSC Modification Proposal** CMP417) shall apply to **Existing 417 Construction Agreements** in respect of the first **Security Period** which is not less than 6 months after the **Implementation Date** for **CUSC Modification Proposal** CMP417 (the "**417 Security Period**").

8.3 Prior to and until the until acceptance of the offer to amend the **Existing 417 Construction Agreement** as per 8.6**,** the final sums arrangements in the **Existing 417 Construction Agreement** will continue to apply.

8.4 Prior to the **417 Security Period**, **The Company** shall prepare and send to each **User** in respect of each **Existing 417 Construction Agreement** a **Cancellation Charge Statement** in respect of that **417 Security Period.**

8.5 Following the **417 Security Period**, and until the until acceptance of the offer to amend the **Existing 417 Construction Agreement** as per 8.6, the arrangements in **CUSC** Section 15 will apply. For the avoidance of doubt as a transitional arrangement following the start of the **417 Security Period**, and until the until acceptance of the offer to amend the **Existing 417 Construction Agreement** as per 8.6, the final sums arrangements will cease to apply and the provisions of Section 15 shall prevail over the security arrangements in an **Existing 417 Construction Agreement.**

8.6 As soon as practicable after the Implementation Date of **CUSC Modification Proposal** CMP417, **The Company** shall offer to amend each **Existing 417 Construction Agreement** such that it will be substantially in the form of that set out Schedule 2, Exhibit 3 Part 2 (as it relates to the **Cancellation Charge** arrangements).

PART THREE

1. CALCULATION OF CANCELLATION CHARGE SECURED AMOUNT AND CREDIT REQUIREMENTS

2. Each **User** which has a **Construction Agreement** shall provide security in respect of each of its **Construction Agreements** for the **Cancellation Charge Secured Amount** as applied and calculated in accordance with this Part Three of Section 15:

2.1 in the case of a **User** which meets **The Company Credit Rating** at the date of the **Construction Agreement** in accordance with Paragraph 4; and

2.2 in the case of a **User** which does not meet **The Company Credit Rating** at the date of the **Construction Agreement** or thereafter ceases to meet it, in accordance with Paragraph 5.

3. CALCULATION OF CANCELLATION CHARGE SECURED AMOUNT

3.1 Prior to the **Trigger Date** the **Cancellation Charge Secured Amount** is the **Cancellation Charge** as set out in the **Cancellation Charge Statement** for the relevant **Security Period**.

3.2 Before the **PCF Activation Date** or where the **PCF Activation Date** has not been set, on or after the **Trigger Date** until the **Charging Date** the **Cancellation Charge Secured Amount** is that percentage of the figure shown as the **Cancellation Charge** (excluding the **Data Centre Commitment Fee**) in the **Cancellation Charge Statement** for the relevant **Security Period** determined as follows plus the **Data Centre Commitment Fee**:

For a **User** directly connected to **the National Electricity Transmission System**	
Prior to (and including) the **Key Consents In Place Date**	the % for that **Financial Year** as set out in the **Annual Wider Cancellation Charge Statement**.

From the **Key Consents In Place Date**	the % for that **Financial Year** as set out in the **Annual Wider Cancellation Charge Statement**.
For an **Embedded Power Station** with a **Bilateral Embedded Generation Agreement** or a **Distribution System** with an **Associated DNO Construction Agreement**	
Prior to (and including) the **Key Consents In Place Date**	the % for that **Financial Year** for **Distributed Generation** and **Distributed Demand** as set out in the **Annual Wider Cancellation Charge Statement**.
From the **Key Consents In Place Date**	the % for that **Financial Year** for **Distributed Generation** and **Distributed Demand** as set out in the **Annual Wider Cancellation Charge Statement**.

3.2A From the **PCF Activation Date**, on or after the **Trigger Date** until the **Charging Date** the **Cancellation Charge Secured Amount** shall be calculated as:

*KC% of (**Cancellation Charge** minus **Progression Commitment Fee** and minus **Data Centre Commitment Fee**)*

*plus **Progression Commitment Fee***

*plus the **Data Centre Commitment Fee***

where:

a) KC% is the % as determined for different categories of **User** in accordance with Paragraph 3.2, and

b) the **Cancellation Charge** and the **Progression Commitment Fee** and **Data Centre Commitment Fee** are as set out in the **Cancellation Charge Statement** for the relevant **Security Period**.

3.3 The **User** shall notify **The Company** once it considers that it has been granted the **Key Consents**. **The Company** shall respond as soon as practicable after such notification confirming that it is satisfied that this is the case or giving reasons why it is not so satisfied.

3.4 The **Cancellation Charge Secured Amount** shall be calculated using the **Cancellation Charge** inclusive of any applicable **Value Added Tax** that would be due.

4. PROVISION OF SECURITY WHERE USER MEETS THE COMPANY CREDIT RATING

4.1 The **User** shall as soon as possible after entering into a **Construction Agreement** and/or **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** and in any event no later than one (1) month after the date of the same confirm to **The Company** whether it meets **The Company Credit Rating**. Thereafter not less than 75 days before the 1 April and 1 October each year until 30 days after the **Charging Date** the **User** shall confirm to **The Company** whether it meets **The Company Credit Rating** (which in the case of a long term private credit rating shall be confirmed by Standard and Poor's or Moody's within a period of 45 days prior to the date of confirmation). The **User** shall inform **The Company** in writing forthwith if it becomes aware of no longer meeting **The Company Credit Rating** or if it is or is likely to be put on credit watch or any similar credit surveillance procedure which may give **The Company** reasonable cause to believe that the **User** may not be able to sustain meeting **The Company Credit Rating** for at least 12 months.

4.2 In the event that the **User** has elected to provide **The Company** with an indicative credit rating and **The Company** is of the reasonable opinion that the **User** has ceased to comply with the requirements of Paragraph 4.1 then **The Company** may require the **User** forthwith:

(i) to apply to Standard and Poor's and/or Moody's for a further indicative long term private credit rating; or

(ii) to confirm to **The Company** that it shall provide the security referred to in Paragraph 4.4 below.

4.3 In the event of the **User**:

(i) not meeting **The Company Credit Rating**; or

(ii) having a credit rating below **The Company Credit Rating**; or

(iii) not having obtained from Standard and Poor's or Moody's within 30 days of the written notification under Paragraph 4.2(i) above an indicative long term private credit rating,

or if **The Company** becomes aware that:

(iv) the **User** ceases to meet **The Company Credit Rating**; or

(v) the **User** is put on credit watch or other similar credit surveillance procedure as specified above which may give **The Company** reasonable cause to believe that the **User** may not be able to maintain **The Company Credit Rating** for at least 12 months; or

(vi) the **User** has not obtained from Standard and Poor's within 30 days of the written notification by **The Company** under Paragraph 4.2(i) above a further indicative long term private credit rating,

the **User** shall (where appropriate on receipt of written notification from **The Company**) comply with the terms of Paragraph 4.4.

4.4 The **User** shall within 21 days of the giving of a notice under Paragraph 4.3 or within 30 days of the **User** confirming to **The Company** under Paragraph 4.2(ii) that it will provide the security specified below (whichever is the earlier), provide **The Company** with the security specified below to cover the **Cancellation Charge Secured Amount** for the relevant **Security Period** as notified by **The Company** to the **User.**

4.5 The form of security provided shall be of a type set out in Paragraph 6.

4.6 If the facts of circumstances giving rise to the obligation of the **User** to provide the security have ceased, then **The Company** shall release the security.

5. PROVISION OF SECURITY WHERE USER DOES NOT MEET OR CEASES TO MEET THE COMPANY CREDIT RATING

5.1 Each **User** hereby agrees that it shall at the date of the relevant **Construction Agreement** and/or **Bilateral Connection Agreement** or **Bilateral Embedded Generation Agreement** provide to **The Company** or procure the provision to **The Company** of, and the **User** shall until 28 days after the **Charging Date** maintain or procure that there is maintained in full force and effect (including by renewal or replacement) a security arrangement from time to time and for the time being as set out in Paragraph 6 to provide security for the **Cancellation Charge Secured Amount**.

5.2 If there shall be any dispute between the **User** and **The Company** as to:-

a) the fairness and reasonableness of the estimate of the **Attributable Works Capital Charge**; or

b) the calculation of the **Cancellation Charge**, or

c) whether there has been an **Event of Default** as provided in **CUSC** Section 5; or

d) the lawfulness or otherwise of any termination or purported termination of the **Construction Agreement**,

such dispute shall not affect the ability of **The Company** to make demands pursuant to the security arrangement to be provided pursuant to this **CUSC** Section 15 and to recover the amount or amounts payable thereunder, it being acknowledged by the **User** that but for such being the case **The Company's** security would be illusory by reason of the period of validity of the relevant security being likely to expire or capable of expiring before the final resolution of such dispute. The **User** accordingly covenants with **The Company** that it will not take any action, whether by way of proceedings or otherwise, designed or calculated to prevent, restrict or interfere with the payment to **The Company** of any amount secured under the security arrangement nor seek nor permit nor assist others to do so.

6. TYPES OF SECURITY

6.1 The **User** shall from time to time and for the time being as set out in Paragraph 5 provide security for the **Cancellation Charge Secured Amount** by any one of the following:-

6.1.1 A **Performance Bond** or **Letter of Credit** from a **Qualified Bank** for **Cancellation Charge Secured Amount** for a given **Security Period**, such **Performance Bond** or **Letter of Credit** to be **Valid** for at least that given **Security Period** and to be renewed periodically where applicable in the manner stated in paragraph 6.2.3; or

6.1.2 A cash deposit in a **Bank Account** at least for the amount of the **Cancellation Charge Secured Amount** to be secured for a given **Security Period**, such cash deposit to be increased or reduced periodically where applicable in the manner stated in paragraph 6.2.4; or

6.1.3 A **Performance Bond** from a **Qualified Company** for the amount of the **Cancellation Charge Secured Amount** to be secured for a given **Security Period**, such **Performance Bond** to be **Valid** for at least that **Security Period** and to be renewed periodically where applicable in the manner stated in paragraph 6.2.3.

6.2 General Provisions regarding Security

6.2.1 Any **Notice of Drawing** to be delivered to Barclays Bank PLC or any other bank at which the **Bank Account** shall have been opened or a **Qualified Bank** or a **Qualified Company** may be delivered by hand, by post or by other agreed communication method.

6.2.2 If the **User** becomes aware that the bank issuing the **Performance Bond** or **Letter of Credit** ceases to be a **Qualified Bank** or that the company giving the **Performance Bond** ceases to be a **Qualified Company**, the **User** shall so notify **The Company** in writing as soon as it becomes so aware. If **The Company** becomes aware that the bank issuing the **Performance Bond** or **Letter of Credit** ceases to be a **Qualified Bank** or that the company giving the **Performance Bond** ceases to be a **Qualified Company**, **The Company** may notify the **User** to that effect in writing. Where the bank or the company so ceases to be either a **Qualified Bank** or a **Qualified Company** (as the case may be) as a consequence of **The Company** having reasonable cause to doubt the continued rating of the said bank or company, such notice shall be accompanied by a statement setting out **The Company's** reasons for having such doubt. The **User** shall within 21 days of the giving of such notice by **The Company** or the **User** whichever is the earlier provide a replacement **Performance Bond** and/or **Letter of Credit** from a **Qualified Bank** or **Qualified Company**, as the case may be, and/or provide a cash deposit in the required amount in a **Bank Account**. From the date the replacement **Performance Bond** or **Letter of Credit** or **Bank Account** cash deposit is effectively and unconditionally provided and **Valid**, **The Company** will consent in writing to the security which it replaces being released.

6.2.3 The following provisions shall govern the issuance, renewal and release of the **Performance Bond** or **Letter of Credit**:-

6.2.3.1 The **Performance Bond** or **Letter of Credit** shall be **Valid** initially for the **First Security Period**. Such **Performance Bond** or **Letter of Credit** shall be for an amount not less than the **Cancellation Charge Secured Amount** for that **First Security Period**.

6.2.3.2 On a date which is at least 45 days (or if such day is not a **Business Day** then on the immediately preceding **Business Day**) before the start of each following **Security Period** such **Performance Bond** or **Letter of Credit** shall be renewed so as to be **Valid** for not less than such **Security Period** and in the case of the last **Security Period** to be **Valid**, unless **The Company** agrees otherwise, for 45 days after the last day of such **Security Period**. Such renewed **Performance Bond** or **Letter of Credit** shall be for an amount not less than the **Cancellation Charge Secured Amount** to be secured during that **Security Period**.

6.2.4 The following provisions shall govern the maintenance of cash deposits in the **Bank Account**:-

6.2.4.1 The amount of the **User'**s cash deposit to be maintained in the **Bank Account** shall be maintained by the **User** from the date of the **Construction Agreement** at least to the end of the **First Security Period**. Such cash deposit shall be in the amount of the **Cancellation Charge Secured Amount** to be secured during that **First Security Period**.

6.2.4.2 If the amount of the **Cancellation Charge Secured Amount** to be secured from the start of each **Security Period** is an amount greater than the amount then secured, the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall be increased by the **User** to such greater amount on the date which is 21 calendar days before the start of the given **Security Period**.

6.2.4.2a The value of any cash deposit to be provided by the **User** under 6.2.4.2 shall be notified to **The Company** in writing on or before 45 calendar days before the start of the given **Security Period**.

6.2.4.3 If the **Cancellation Charge Secured Amount** for a given **Security Period** is smaller than the amount then secured, the **User's** cash deposit in the **Bank Account** in respect of the **Security Amount** shall not be reduced to the amount so stated until the expiry of 7 days after the start of that given **Security Period** (“the **Release Date**”).

6.2.4.4 The sum equal to the amount of reduction in the **User**’s cash deposit in the **Bank Account** in respect of the **Security Amount** shall be paid by **The Company** to the **User** from the **Bank Account** on the **Release Date**.

6.2.4.5 Any interest accruing in respect of the **User**’s cash deposit in the **Bank Account** in respect of the **Security Amount** shall be for the account of and belong to the **User** absolutely, and **The Company** agrees to take any steps required to be taken by it for the release from the **Bank Account** (or any other bank account in the name of **The Company** in which such interest is held) and payment to the **User** of such interest as soon as **The Company** shall have received notice from the **User** requesting such payment.

6.2.4.6 For the avoidance of doubt, the **User**’s cash deposit in the **Bank Account** shall remain the sole property and entitlement of the **User** until such time when (and to such extent as) the **Company** exercises its right of set off against the **User**’s cash deposit in accordance with the terms of the **CUSC**, and the **User** shall have no right to have the cash deposit returned to it for so long as it is under any prospective or contingent liability to the **Company**.

6.3 Notwithstanding any provision aforesaid:-

6.3.1 The **User** may provide different securities to **The Company** at any one time, each securing a different amount, provided that the aggregate amount secured by such securities shall be not less than the amount of the **Cancellation Charge Secured Amount** required to be secured for that **Security Period**.

6.3.2 The **User** may upon the expiry of at least 14 days prior written notice to **The Company**, substitute one type of security for another provided that unless **The Company** shall otherwise agree in writing such substituted security must be **Valid** from the first day of the relevant **Security Period** and committed at least 45 days before this in the following manner:-

(a) where a **Performance Bond** or a **Letter of Credit** is to substitute for other securities, it must be issued or given at least 45 days before the start of the **Security Period** to which it relates.

(b) where a cash deposit in a **Bank Account** is to substitute for other securities, it must be deposited into the **Bank Account** at least 45 days before the start of the **Security Period** to which it relates.

6.3.3 Upon request by the **User** to **The Company**, securities substituted in the aforesaid manner shall, providing the substitute security shall be **Valid**, be released on the first day of the **Security Period** which the substitute security is securing. However, where the **Cancellation Charge Secured Amount** to be secured for any **Security Period** is less than the amount required to be secured in the preceding **Security Period**, the substituted security shall not be released until 7 days after the start of the **Security Period** that that substitute security is securing.

6.3.4 Where the **User** provides securities to **The Company** in multiple types as per paragraph 6.1, the provisions of paragraph 6.2.3 and 6.2.4 shall apply respectively to each type of security.

6.4 From the **PCF Activation Date**, where **Milestone 1** is met in relation to a **Construction Agreement**, **The Company** must as soon as reasonably practicable release the security held in respect of any amount of the **Progression Commitment Fee** which (in accordance with Part Five) has been reduced to £0, provided that the security is not required to be released until any substitute security required under this Section 15 is in place.

PART FOUR RECONCILIATION OF ACTUAL ATTRIBUTABLE WORKS CANCELLATION CHARGE

1. As soon as practicable and in any event within 60 days of the date, as appropriate, of termination of the **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity The Company** shall:

(a) furnish the **User** with a statement showing a revised estimate of the **Actual Attributable Works Cancellation Charge** and will provide as soon as practicable evidence of such having been incurred; and

(b) furnish the **User** with justification of and supporting information in respect of its assessment of the actual or potential for reuse and any strategic benefits of the **Attributable Works** and any of the resulting **Transmission** assets.

2. As soon as reasonably practicable after termination of this **Construction Agreement** or reduction in **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** or **Demand Capacity** or **Embedded Demand Capacity** and in any event within 12 months of such event **The Company** shall provide the **User** with a final statement of the **Actual Attributable Works Cancellation Charge**. If the **Actual Attributable Works Cancellation Charge** is greater than the payments made by the **User** in respect of **The Company's** estimate(s) of the **Actual Attributable Works Cancellation Charge** the **User** shall within 28 days of the said statement and invoice prepared by **The Company** pay to **The Company** the additional payments due by the **User** together with interest calculated thereon on a daily basis at **Base Rate** for the time being and from time to time from the date of previous payment(s) to the date of the final statement of the **Actual Attributable Works Cancellation Charge** and final invoice for the **Attributable Works Cancellation Charge**. If the **Actual Attributable Works Cancellation Charge** is less than the payments made by the **User** in respect of **The Company's** estimate(s) of the **Actual Attributable Works Cancellation Charge The Company** shall forthwith pay to the **User** the excess paid together with interest on a daily basis at **Base Rate** for the time being and from time to time from the date of payment of the fair and reasonable estimate of the **Actual Attributable Works Cancellation Charge** to the date of reimbursement by **The Company** of the said excess paid.

PART FIVE ACTIVATION AND ADMINISTRATION OF THE PROGRESSION COMMITMENT FEE

1.1 The **Progression Commitment Fee** shall become payable in accordance with, and shall be calculated in accordance with, this Part Five. For the avoidance of doubt, the **Progression Commitment Fee** is only payable (in accordance with this Section 15) from the **PCF Activation Date**, which shall not be set until the **PCF Activation Metric** has reached the **PCF Activation Threshold**.

2 **Activation of the Progression Commitment Fee**

2.1 Subject to Paragraph 2.2, twice each **Financial Year**, **The Company** must use the data it holds to calculate and publish on its web-site the **PCF Activation Metric**. **The Company** must publish the **PCF Activation Metric**:

2.1.1 on or before 1 August (or, where 1 August is not a **Business Day**, the following **Business Day**) in each **Financial Year** for the period from the start of the current **PCF Metric Period** until the end of the immediately preceding month of June; and

2.1.2. on or before 1 February (or, where 1 February is not a **Business Day**, the following **Business Day**) each **Financial Year** for the period from the start of the current **PCF Metric Period** until the end of the immediately preceding month of December.

2.2 Paragraph 2.1 shall not apply:

2.2.1 for the period from the date the **PCF Activation Metric** published in accordance with Paragraph 2.1 has reached the **PCF Activation Threshold** to the end of the **PCF Metric Period**; or

2.2.2 from the point **The Company** has set out the **PCF Activation Date** in a **PCF Determination Notice**.

2.3 Where the **PCF Activation Metric** calculated and published in accordance with Paragraph 2.1 exceeds the **PCF Activation Threshold**, **The Company** must within one month of that publication determine whether or not, in its view, the **Progression Commitment Fee** should become payable (in accordance with this Section 15), notify the **Authority** of its determination and publish this determination on its web-site.

2.4 Within two months of a notification by **The Company**, having regard to **The Company's** determination under Paragraph 2.3, the **Authority** may determine whether or not, in its view, the **Progression Commitment Fee** should become payable (in accordance with this Section 15).

2.5 Within five **Business Days** of a determination by the **Authority** under Paragraph 2.4 or, where there is no such determination, within five **Business Days** following the end of the period set out in Paragraph 2.4, **The Company** must publish on its web-site a **PCF Determination Notice** setting out any determination made.

2.6 **The Company** must include a **PCF Activation Date** in the **PCF Determination Notice** where either:

2.6.1 the Authority has determined under Paragraph 2.4 that the Progression Commitment Fee should become payable; or

2.6.2 The Company has determined under Paragraph 2.3 that the Progression Commitment Fee should become payable and the Authority has not, within the period set out in Paragraph 2.4, determined that the Progression Commitment Fee should not become payable.

2.7 Other than as provided for in Paragraph 2.6, **The Company** may not include the **PCF Activation Date** in a **PCF Determination Notice**.

2.8 For the avoidance of doubt, the **Progression Commitment Fee** shall not become payable in the remainder of the **PCF Metric Period** where in the **PCF Metric Period** either:

2.8.1 the **Authority** has determined under Paragraph 2.4 that the **Progression Commitment Fee** should not become payable; or

2.8.2 **The Company** has determined under Paragraph 2.3 that the **Progression Commitment Fee** should not become payable and the **Authority** has not, within the period set out in Paragraph 2.4, determined that the **Progression Commitment Fee** should become payable.

2.9 Where the **Progression Commitment Fee** has not become payable during a **PCF Metric Period**, **The Company** must consider whether or not, in its view, the **PCF Activation Threshold** is appropriate and publish this view on its web-site, together with any change **The Company** would recommend, within three months following the end of the **PCF Metric Period**. (For the avoidance of doubt, **The Company** giving this view will not itself change the **PCF Activation Threshold**.)

3 **Information exchange to support calculation of the PCF Activation Metric**

3.1 Subject to Paragraph 3.3, twice each **Financial Year** each owner/operator of a **Distribution System** must notify to **The Company** the cumulative total of **Developer**

Capacity (in MW) where **Relevant Construction Agreements** between it and **The Company**:

3.1.1 were terminated as a result of termination (by the owner/operator of the **Distribution System**) of a related **Distribution Connection Agreement** due to a failure by the developer to meet **Milestone 1**; or

3.1.2 had **Developer Capacity** reduced as a result of termination or reduction of capacity (by the owner/operator of the **Distribution System**) of a related **Distribution Connection Agreement** due to a failure by the developer to meet **Milestone 1**.

3.2 The owner/operator of a **Distribution System** must provide the notification in Paragraph 3.1:

3.2.1 on or before 14 July (or, where 14 July is not a **Business Day**, the following **Business Day**) in each **Financial Year** for the period from the start of the current **PCF Metric Period** until the end of the immediately preceding month of June; and

3.2.2 on or before 14 January (or, where 14 January is not a **Business Day**, the following **Business Day**) each **Financial Year** for the period from the start of the current **PCF Metric Period** until the end of the immediately preceding month of December.

3.3 Paragraph 3.1 shall cease to apply from the point **The Company** has set out the **PCF Activation Date** in a **PCF Determination Notice**.

3.4 Each owner/operator of a **Distribution System** must provide the information set out in Paragraph 3.1 in such form, and promptly provide such further relevant information, as **The Company** may reasonably request from time to time.

4 Calculation of the Progression Commitment Fee

4.1 The following Paragraphs set out in detail how the **Progression Commitment Fee** shall be calculated.

4.2 The **Progression Commitment Fee** shall be calculated as follows:

4.2.1 where a **Construction Agreement** is terminated, the **Progression Commitment Fee** shall be equal to the **Applicable PCF**, and

4.2.2 where **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** is reduced:

Progression Commitment Fee = **Applicable PCF** × $\frac{C - RC}{C}$,

where:

Applicable PCF is calculated in accordance with Paragraphs 4.3 to 4.6;

C is the **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity**;

RC is the reduced capacity being **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** under the **Construction Agreement** as reduced.

4.3 Subject to Paragraphs 4.4 to 4.6, the **Applicable PCF** shall be calculated as follows for the time periods set out below:

Time Period	Applicable PCF calculation
Where the **Construction Agreement** is entered into before or on the **PCF Activation Date**, the period from the **PCF Activation Date** to the end of the **PCF Period**, OR where the **Construction Agreement** is entered into after the **PCF Activation Date,** the period from the **Construction Agreement** being entered into to the end of the **PCF Period**	£2,500/MW × **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** (in MW)

(in either case being the first **PCF Period**)	
Second **PCF Period**	£5,000/MW × **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** (in MW)
Third **PCF Period**	£7,500/MW × **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** (in MW)
Fourth **PCF Period** and any subsequent **PCF Periods**	£10,000/MW × **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** (in MW)

4.4 Notwithstanding Paragraph 4.3 above and subject to paragraphs 4.5 and 4.6, the **Progression Commitment Fee** shall be £0 in relation to a **Construction Agreement**:

4.4.1 where the **Construction Agreement** was entered into on or before the **PCF Activation Date** and there is six months or less between the **PCF Activation Date** and the date for **Milestone 1** being met; or

4.4.2 where the **Construction Agreement** is entered into after the **PCF Activation Date** and there is six months or less remaining until the date for **Milestone 1** being met; or

4.4.3 where the **Construction Agreement** is entered into without **Milestone 1** being determined and, once determined, there is six months or less between the date the **Construction Agreement** was entered into and the date for **Milestone 1** being met; or

4.4.4 for so long as there is no determined **Milestone 1**; or

4.4.5 where **Milestone 1** has been met.

4.5 Where the **Construction Agreement** is between an owner/operator of a **Distribution System** and relates to more than one **Distribution Connection Agreement**, the **Progression Commitment Fee** shall be £0 only in relation to **Developer Capacity** where the relevant subparagraph in paragraph 4.4 applies. The reference to **Developer Capacity** in paragraph 4.3 shall be construed accordingly**.**

4.6 Where there is otherwise more than one **Milestone 1** in respect of a **Construction Agreement**, the **Progression Commitment Fee** shall be £0 only in relation to the **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** where the relevant subparagraph in paragraph 4.4 applies. The reference to **Transmission Entry Capacity** or **Developer Capacity** or **Interconnector User Commitment Capacity** in paragraph 4.3 shall be construed accordingly.

5 Information exchange to support application of the Progression Commitment Fee

5.1 Within one month of a **PCF Determination Notice** which sets out the **PCF Activation Date**, each owner/operator of a **Distribution System** must notify **The Company** for each **Construction Agreement** entered into between it and **The Company** whether or not Paragraph 4.4 applies to the **Construction Agreement** and, if it applies, the relevant sub-paragraph on which this is based.

5.2 From the **PCF Activation Date** the owner/operator of a **Distribution System** must, on or before the date it provides **The Company** with a signed **Construction Agreement**, notify **The Company** of whether or not it reasonably expects Paragraph 4.4 to apply to the **Construction Agreement** once entered into and, if it will apply, the relevant sub-paragraph on which this is based.

5.3 Where, in accordance with Paragraph 5.2, the owner/operator of a **Distribution System** has notified **The Company** that Paragraph 4.4 is expected to apply to a **Construction Agreement** once entered into on the basis that **Milestone 1** has not been determined, the owner/operator of a **Distribution System** must, within three months of a **Construction Agreement** being entered into, notify **The Company** of whether or not Paragraph 4.4 applies to the **Construction Agreement** and, if it applies, the relevant sub-paragraph on which this is based.

5.4 Where an owner/operator of a **Distribution System** has notified to **The Company**:

5.4.1 in accordance with Paragraph 5.2 that it reasonably expects Paragraph 4.4 to apply to the **Construction Agreement** (other than on the basis that **Milestone 1** has not been determined); or

5.4.2 in accordance with Paragraphs 5.1 or 5.3 that Paragraph 4.4 does apply to the **Construction Agreement**,

it must use best endeavours to notify **The Company** promptly if it becomes aware that circumstances have changed such that Paragraph 4.4 does not apply.

5.5 From the **PCF Activation Date**, each owner/operator of a **Distribution System** must by the 14th day of each month (or, where the 14th day is not a **Business Day,** the next **Business Day**) notify **The Company** of the following in respect of the **PCF Distribution Notice Period**:

5.5.1 the details of **Construction Agreements** entered into between it and **The Company** where **Milestone 1** has been met; and

5.5.2 the details of **Construction Agreements** entered into between it and **The Company** which have been terminated or where **Developer Capacity** has been reduced without **Milestone 1** having been met.

5.6 Where the **Construction Agreement** relevant to any notification provided under Paragraphs 5.1 to 5.5 relates to more than one **Distribution Connection Agreement** the owner/operator of a **Distribution System** must provide details for each **Distribution Connection Agreement**.

5.7 Each owner/operator of a **Distribution System** must promptly provide such further information to **The Company** as **The Company** may reasonably request from time to time to enable it to calculate the **Progression Commitment Fee** which may be payable (or the **Cancellation Charge Secured Amount**) in relation to a **Construction Agreement**.

5.8 Each owner/operator of a **Distribution System** must provide the information set out in Paragraphs 5.1 to 5.7 in such form, and promptly provide such further relevant information, as **The Company** may reasonably request from time to time.

PART [SIX] DCCF DATA CENTRES AND THE DATA CENTRE COMMITMENT FEE

1. General

1.1 In addition to the other components of the **Cancellation Charge** set out in this Section 15, in the case of a **DCFF Data Centre**, the **Cancellation Charge** payable on termination of a **Construction Agreement** or an **Associated DNO Construction Agreement** or a reduction in **Demand Capacity** or **Embedded Demand Capacity** prior to the **Charging Date** shall (except as provided for in the scenarios at Clause 2 below) from the **DCCF Implementation Date** include the **Data Centre Commitment Fee** and in the context of a **DCFF Data Centre** references to **Cancellation Charge** in this Section 15 shall be construed accordingly.

As a consequence, the components of the **Cancellation Charge** for the **Cancellation Charge Statement** and **Cancellation Charge Secured Amount Statement** sent with that **Gate 2 Modification Offer** will include the **Data Centre Commitment Fee** as follows:

Cancellation Charge = ***Attributable Works Cancellation Charge*** *plus* ***Wider Cancellation Charge*** *plus* ***Data Centre Commitment Fee***

1.2 The **Data Centre Commitment Fee** is calculated as follows and results in a £/MW fee:

DCFF Value *x MW* of reduction in the **Demand Capacity** or **Embedded Demand Capacity** of the **DCFF Data Centre**

Where the **DCCF Value** is a £/MW figure as set out in the **DCCF Statement** as such figure may be revised from time to time by reference to a **Security Period** in accordance with Paragraph 3 below.

Where termination equates to a reduction in the MW of **Demand Capacity** or **Embedded Demand Capacity** to zero.

1.3 Where connection is provided for a **DCC Data Centre** and another technology or other technologies in the **Construction Agreement** or **Associated DNO Construction Agreement** the **Data Centre Commitment Fee** shall only apply to the **Demand Capacity** or **Embedded Demand Capacity** of the **DCCF Data Centre**. Provided that where the **Demand Capacity** or **Embedded Demand Capacity** of the **DCCF Data Centre** has not been separately recorded the **Data Centre Commitment Fee** shall apply to the capacity of the overall project within the **Construction Agreement** or **Associated DNO Construction Agreement**.

2. Exception Scenarios

2.1 Transitional

2.1.1 The **Data Centre Commitment Fee** component of the **Cancellation Charge** shall not apply to a **DCCF Data Centre** where the **Charging Date** is due to occur within [6] months of the **DCCF Implementation Date**.

2.1.2 The **DCCF** component of the **Cancellation Charge** shall not apply in the case of self-termination of a **Construction Agreement** or **Associated DNO Construction Agreement** by a **User** in the category of a **DCCF Data Centre** directly connected to the **National Electricity Transmission System** or a **User** who is party to an **Associated DNO Construction Agreement** in respect of a **DCCF Data Centre** which are:

a) **Gate 2 Existing Agreements** prior to the acceptance of a **Gate 2 Modification Offer**; or

b) **Gate 2 Existing Agreements** where the **Gate 2 Modification Offer** is accepted prior to the **DCCF Implementation Date** and where the **User** self terminates prior to/within [3] months of such **DCCF Implementation Date**.

c) an existing **Associated DNO Construction Agreement** in respect of **Embedded Demand** where the **User** self terminates prior to/within [3] months of the **DCCF Implementation Date**.

2.1.3 In the event of an increase of Data Centre Commitment Fee

The **Data Centre Commitment Fee** component of the **Cancellation Charge** shall not apply in the case of self-termination of a **Construction Agreement** or **Associated DNO Construction Agreement** by a **User** in the category of a **DCCF Data Centre** directly connected to the **National Electricity Transmission System** or a **User** who is party to an **Associated DNO Construction Agreement** in respect of (and if more than one technology to the extent it relates to) a **DCCF Data Centre** as a consequence of/following/within [3] months of an increase in the **DCCF Value** prior to a **Security Period** in which the **DCCF Value** is increased.

3. The DCCF Value and DCCF MW Threshold

3.1 The **DCCF Statement** shall be published by **The Company** in accordance with Condition [E18] of the **ESO Licence** and shall set out the initial **DCCF Value** and

DCCF MW Threshold as they may be revised from time to time in accordance with the process in the **ESO Licence**.

4. Implementation of the Data Centre Commitment Fee in Existing Agreements

4.1 In the case of **DCCF Data Centres** with:

4.1.1 **Existing Gate 2 Agreements**, the **Data Centre Commitment Fee** shall apply from the Security Period not being less that [x] months from the **DCCF Implementation Date** and the **Cancellation Charge Statement** and **Cancellation Charge Secured Amount Statement** sent to a **DCCF Data Centre** for the **Security Period** will include the **Data Centre Commitment Fee**.

4.1.2 **Existing Agreements** with Gate 2 status but where the **Gate 2 Modification Offer** has not been issued, the **Cancellation Charge Statement** and **Cancellation Charge Secured Amount Statement** sent with that **Gate 2 Modification Offer** will include the **Data Centre Commitment Fee**.

4.1.3 **Existing Agreements** with Gate 2 status where the **Gate 2 Modification Offer** has been issued but not accepted, **The Company** shall be entitled to reissue the **Cancellation Charge Statement** and **Cancellation Charge Secured Amount Statement** sent with that **Gate 2 Modification Offer** to include the **Data Centre Commitment Fee**.

5. CUSC Section 16 - Queue Management Process

5.1. The proposed changes to CUSC Section 16 set out changes to introduce data centre specific queue management milestones.

CUSC SECTION 16

QUEUE MANAGEMENT PROCESS

Introduction

16.1 The process set out in this Section 16 will be applied by **The Company** in measuring the progression of a **User's** project (excluding any **OTSDUW**) against the **Completion Date,** or where the **User's Project** is staged, the relevant **Completion Date** in the **Construction Agreement** related to that project. The process identifies a set of milestones as set out below against which progress is measured and if not achieved provides for the termination of the **Construction Agreement.** Although provision for this process is included within **Gate 1 Agreements** the process and provisions within this Section will only be actively applied in **Gate 2 Agreements**.

16.2 The **Queue Management Process** will not be applied and included in (i) **Construction Agreements** with an **Embedded Power Station** relating to a **Bilateral Embedded Generation Agreement** or (ii) **Construction Agreements** with the owner/operator of a **Distribution System** directly connected to the **National Electricity Transmission System** where the **Construction Agreement** is required because of a connection to that **Distribution System** and the **Distribution Queue Management Process** applies.

16.3 **The User Progression Milestones and Evidence**

The milestone events/timings against which the progress of a **User's** project will be measured by **The Company** are listed in Table 1 below. Please note that there are [additional] **DC Specific User Progression Milestones** [as set out in Table 2 below] applicable to [**Data Centre Service** [provided that these **DC Specific User Progression Milestones** will not apply to a **Data Centre Service** where at the **DC MS Implementation Date** (a) a **Data Centre Service** has already met the **User Progression Milestones** up to and including M6 in Table 1 or (b) a **Data Centre Service** is to be [**Energised]** within 6 months of the **DC MS Implementation Date**.

The tables also shows the evidence a **User** has to provide to **The Company** to show that a milestone event has been met.

A **User Progression Milestone** must be achieved by the date which represents the end of the milestone period identified for that milestone. Once achieved a **Conditional Progression Milestone** or, where specified, a **Construction Progression Milestone** must also continue to be met on an ongoing basis, that is, the statutory consent and planning permission initiated and secured and the land rights achieved to demonstrate compliance with the **Conditional Progression Milestone** or **Construction Progression Milestone** must remain in place.

The Company will provide (in the form of Appendix Q) a Table based on the above with each **Construction Agreement**. This will specify the dates of the milestone periods for the **User's** project derived in accordance with this Section 16 and set out in each Appendix Q.

Where a **User's** project is being delivered in discrete "stages" of **Equipment**, or programme for example when the project relates to the installation of different technology types or co-located sites, and they are being progressed discretely a separate Appendix Q will be provided for each "stage" and the **Queue Management Process** applied to each "stage" separately

TABLE 1

Milestone	Detail	Evidence	Milestone Period
Milestone 1) **Initiated Statutory Consents and Planning Permission**	Where statutory consents are required for the construction of the **User's** project, the **User** must begin the process of seeking statutory consents, including Planning Permission for the project within the timescales and be able to provide the required evidence.	Submission of planning application to the relevant Statutory Authority or, if the **User's** project does not require a statutory consent, a declaration from the **User** to that effect.	See table (varies with lead time)**.**
Milestone 2) **Secured Statutory Consents and Planning Permission**	Where required for the construction of the **User's** project, the **User** must have secured statutory consents, including Planning Permission for the project within the timescales and be	The planning decision notice confirms planning permission has been granted and that this permission allows the **User** to meet the terms included in its **Construction Agreement**.	See table (varies with lead time)

	able to provide the required evidence	Compliance with this milestone is ongoing.	
Milestone 3) **Secure Land Rights**	The **User** must have secured the required land rights to enable the construction of the project. The **User** may be the owner/occupier of the land or has the necessary agreement from the owner/occupier.	The **User** shall provide documentation to demonstrate that: (i) The **User** is an owner or tenant of the land on which the proposed site is or will be situated; or (ii) The **User** has entered into an agreement to lease (which meets the requirements in the **Gate 2 Criteria Methodology)** the land from the owner of the land on which the proposed site is or will be situated; or (iii) The **User** has an option to purchase or to lease the land from the owner of the land on which the proposed site is or will be situated and this option meets the requirements and parameters set out in the **Gate 2 Criteria Methodology**; or (iv) For an **Offshore Project**, which depending on the type of **Offshore Projects** (and set out in the **LoA Guidance**) the land rights are provided by reference to the	See table

		seabed or **Onshore Connection Site** (a) the **User** has entered into an agreement for occupation or use of the seabed upon which the **User's** project (excluding any **OTSDUW**) is or will be located or (b) the requirements at (ii) and (iii) above apply. Nb the obligation is to secure and evidence the land right for the site of the installation e.g. Power Station or demand site so the evidence does not relate to rights e.g. easements associated with that site or **OTSDUW**. Compliance with this milestone is ongoing and additionally measured against the requirements regarding the **Original Red Line Boundary** as set out in Paragraph 16.4.9.3 below.	
Milestone 4) **N/A for Transmission**	This milestone does not apply for Transmission	Null	Null
Milestone 5) **Contestable Design Works Submission**	This milestone will apply where a **User** has gone down the contestable route for connection.	Written confirmation from the **Relevant Transmission Licensee** that design obligations as bilaterally agreed in a User-Self Build agreement have been received.	See table (varies with lead time)

Milestone 6) **Agree Construction Plan**	The **User** must have agreed a construction plan for the detailed **User's Works** with **The Company** which demonstrates how they will be progressing the **User's Works** to achieve the **Completion Date**.	The **User**'s construction plan shall demonstrate how the **User** will be ready for the **Commissioning Programme Commencement Date** and **Completion Date.** This must include a detailed programme for the **User's Works** with a fixed start and end date as agreed with the **Relevant Transmission Licensee**, and be a programme aligned with the **Commissioning Programme Commencement Date** and **Completion Date**.	See table (varies with lead time)
Milestone 7) **Project Commitment**	This milestone demonstrates that the project has the necessary commitment or backing for it to proceed.	One of the following: • Binding contract issued by the **User** for main plant equipment; or • Capital contribution payments made to **The Company** in advance of connection; or • A decision paper from a formal, minuted meeting of the **User's** board of directors evidencing Final Investment Decision (FID); or • award of a governmental or regulatory subsidy which provides financial support or	See table (varies with lead time)

		incentive to the **User's** project.	
Milestone 8) **Project Construction**	Project construction is the project phase ie the period from when a **User** begins the site works to carry out construction of its project until completion of the **User's Works**	Commence construction according to the construction plan agreed under Milestone 6. Evidence for meeting this milestone will be a letter from the **User's** board of directors or equivalent to state construction has commenced.	See table (varies with lead time)

TABLE 2 **DC Specific User Progression Milestones** applicable to a **Data Centre Service** only

These **DC Specific User Progression Milestones** mirror the timing of/and are in addition to the equivalent numbered **User Progression Milestones** in Table 1.

Milestone	Detail	Evidence	Milestone Period
Milestone 0.5 (DC) **Election of Pathway**	the **User** shall notify **The Company** whether the project is to proceed on: (a) a **Self Operation Pathway**; (b) a **Lease** or **Sale Pathway**; or (c) both pathways where the project includes both self-operation and lease/sale elements and provide evidence in this respect.	In the case of: iii. the **Self Operation Pathway**, the **User** must provide a **Certificate of Intended Self Usage** iv. the **Lease** or **Sale Pathway**, the **User** must provide a **Lease** or **Sale** MoU, or evidence that it or a **Relevant Applicant Group Company** has **Retail End User**	[6 months after connection offer has been accepted]

		Services Agreement MoU**(s)** with a customer v. both (a) and (b) the **User** must provide evidence of both pathways? Compliance with this milestone is ongoing and see specifically Paragraph 16.4.9.1A.	
Milestone 2 (DC) Long Lead Procurement	Demonstration that the Long Lead Procurement Requirement has been satisfied	Evidence that at least one Approved Long Lead item has been procured by showing (a) the relevant item procured; (b) the voltage system to which the **Data Centre Service** will connect; (c) the rating of the relevant item; (d) the date of purchase or contract award; (e) the cost of the relevant item; (f) the expected delivery date of the relevant item; and (g) the supplier or contractual counterparty from whom the relevant item has been procured. Such evidence being in the form of a purchase invoice, purchase order, executed procurement contract, binding supplier letter, or other documentary evidence.	on or before the date derived for Milestone 2 in Table 1 above

		The **User** will provide confirmation of the voltage system to which the **Data Centre Service** is connecting Compliance with this Milestone is ongoing and see specifically Paragraph 16.4.9.1A.	
Milestone 6a (DC) **Financial Capability**	Demonstrating that the Financial Capability Requirement has been satisfied Where either pathway is elected under Milestone 0.5 (DC) above the **User** is not required to submit evidence of financial capability more than once for the same **Data Centre Service**.	evidence consisting of either **Credit Rating Evidence** or **Credit Support Evidence** defined as follows: vi. **Credit Rating Evidence** This includes: BBB- where issued by Standard & Poor's; BBB- where issued by Fitch; or Baa3 where issued by Moody's. If a project developer is a Special Purpose Vehicle or Entity, for example where a rating is issued by Moody's, the rating shall be determined using Moody's generic project finance methodology; in all other cases, the rating shall be determined using Moody's communications infrastructure methodology or real estate investment trust (REIT) methodology. vii. **Credit Support Evidence** This includes: a letter of credit issued by a bank;	on or before the date derived for Milestone 6 in Table 1 above

		cash deposits held on terms satisfactory to **The Company**; or collateral or other equivalent enforceable financial security, legally committed to support the relevant **Data Centre Service**. Compliance with this milestone is ongoing and see specifically Paragraph 16.4.9.1A.	
Milestone 6b DC Technical Capability	Demonstrate that the Technical Capability Requirement has been satisfied Where either pathway is elected under Milestone 0.5 (DC) above the **User** is not required to submit evidence of technical capability more than once for the same **Data Centre Service**.	Demonstrated by the **User** providing documentary evidence for any one of the following in respect of the **Data Centre Service**: [Showing assessment, design or certification against BS EN50600 standards or [showing assessment, design or certification against ANSI/TIA 942 standards] or [that obtained or is subject to Tier Certification of Design Documents]. Compliance with this milestone is ongoing and see specifically Paragraph 16.4.9.1A.	on or before the date derived for Milestone 6 in Table 1 above

Milestone 6c (DC) Compute Offtaker	Demonstrate that the Binding Compute Offtaker Evidence requirement has been satisfied Where under Milestone 0.5 (DC) a **User** has elected the **Lease** or **Sale Pathway**, evidence of an Compute Offtaker	Demonstrated by the **User** providing Binding Compute Offtaker Evidence: [Binding commitment for some compute capacity, with no minimum duration] Or [Binding commitment for at least 20% of compute capacity for at least one year] Or [Binding commitment for at least 50% of compute capacity for at least one year] Compliance with this milestone is ongoing and see specifically Paragraph 16.4.9.1A.	on or before the date derived for Milestone 6 in Table 1 above

The date by which a **User Progression Milestone** has to be achieved is derived from the following Tables working (except in the case of **Conditional Progression Milestone** M1) backwards from the **Completion Date** (or where staged, relevant **Completion Date**) in a **Connection Offer** to the date on which the **Connection Offer** is made by **The Company** to the **User**. The date by which **Conditional Progression Milestone** M1 has to be achieved is derived from the following Table based on the earlier of two dates as set out in that Table.

The **User Progression Milestones** are categorised as **Conditional Progression Milestones** and **Construction Progression Milestones.** Different rights and obligations on **The Company** to terminate the **User's Construction Agreement** apply for each of these categories.

As noted above compliance with the **Conditional Progression Milestones** and, where specified, **Construction Progression Milestones** is measured on an ongoing basis.

Conditional Progression Milestones

Retained Distribution Milestone Names for consistency	From 0 up to 2 years (0 – 729 days) from contracted Completion date	2 up to 3 years (730 – 1094 days) from contracted Completion date	3 up to 4 years (1095 to 1459 days) from contracted Completion date	4 up to 5 years (1460 – 1824 days) from contracted Completion date	5 years (1825 days) and above from contracted Completion date
Milestones:	All durations for milestones other than M1 are calculated back from the contracted Completion Date Durations for M1 (unless M1 has already been met at the time of the Gate 2 Application) will be the earlier of (a) the date calculated forwards from the Gate 2 Offer date (based on an agreed standard time period for each planning type as referred to below) to move from M3 to M1) and (b) the date calculated back from the contracted Completion Date				
M1 - Initiate Planning Consent	Bilaterally negotiated	18 months	24 months	36 months	48 months
M2 - Secure Consent		12 months	18 months	24 months	30 months
M3 - Land Rights		21 months	27 months	39 months	51 months

The standard time period for each planning type to move from M3 to M1 is as follows:

<u>**Planning / Technology Type**</u>	<u>**Timescale from Gate 2 Offer date to M1**</u>
Town and Country Planning (England, Scotland and Wales)	2 years
Section 36 (England/Scotland)	3 years
Development of National Significance (Wales)	3 years
NSIP / DCO (England and Wales)	3 years
Offshore (including Offshore Wind, Interconnectors and OHAs)	5 years
Nuclear	Case by Case
Novel technologies	Case by Case

Construction Progression Milestones

Retained Distribution Milestone Names for consistency	**From 0 up to 2 years (0 – 729 days) from contracted Completion date**	**2 up to 3 years (730 – 1094 days) from contracted Completion date**	**3 up to 4 years (1095 to 1459 days) from contracted Completion date**	**4 up to 5 years (1460 – 1824 days) from contracted Completion date**	**5 years (1825 days) and above from contracted Completion date**
Milestones:	All durations referenced back from contracted Completion Date				
M5 - Contestable Design Works Submission	Bilaterally negotiated	12 months	15 months	18 months	21 months
M6 - Agree Construction Plan		9 months	12 months	15 months	18 months
M7 - Project Commitment		6 months	9 months	12 months	15 months
M8 - Initiate Construction		3 months	6 months	9 months	12 months

Where durations are referred to as being “bilaterally negotiated” this means that **The Company**, the **Relevant Transmission Licensee** and the **User** will aim to agree the durations for the purposes of Appendix Q during the **Offer** preparation period. Where not so agreed by the time the **Offer** is made, Appendix Q will reflect the durations proposed by **The Company** and **Relevant Transmission Licensee** and discussions will continue with a view to agreeing these during the **Offer** acceptance period.

16.4 **Project Milestone Communications**

16.4.1 As soon as practicable and in any event by the due date for meeting a **User Progression Milestone,** the **User** shall document and provide the evidence in accordance with the table above of progress on a **User Progression Milestone** to prove to **The Company’s** reasonable satisfaction that that **User Progression Milestone** has been met.

16.4.2 The **User** will notify **The Company** and the **Relevant Transmission Licensee**, at the earliest opportunity, as soon as it becomes aware of any issues that could impact on the **User’s** ability to meet any of the **User**

Progression Milestones and specifically of any that the **User** believes could fall under 16.5 below. Where the **User** believes that an issue could fall under 16.5 below evidence supporting this shall be provided to **The Company**.

16.4.3 **The Company** will upon receipt of evidence provided in accordance with 16.4.1 above, advise the **User** within 10 **Business Days** as to whether it is satisfied that the **User Progression Milestone** has been met and whether the status of the **User's** project is categorised by **The Company** as "On Track" or "Termination".

16.4.4 If no evidence is provided in accordance with 16.4.1 above, or the evidence provided is considered insufficient to demonstrate that the milestone has been met, and as a consequence the status of the **User's** project is categorised as "Termination" **The Company** will notify the **User** that the **User's** project is categorised as "Termination" and that the **Project Milestone Remedy Period** has started.

16.4.5 If during the **Project Milestone Remedy Period** the **User's** project progresses such that it achieves the **User Progression Milestone** against which it was categorised as "Termination", the **User's** project shall be re-categorised by **The Company** as being "On Track" by reference to that **User Progression Milestone** and the **User** notified accordingly.

16.4.6 Where at the end of the **Project Milestone Remedy Period** for a **Conditional Progression Milestone** the status of the **User's** project is still categorised as "Termination", **The Company** shall terminate the **Construction Agreement**. Where at the end of the **Project Milestone Remedy Period** for a **Construction Progression Milestone** the status of the **User's** project is still categorised as "Termination", **The Company** may terminate the **Construction Agreement**.

16.4.7 Whether or not any of the **User Progression Milestones** have been achieved and/or what constitutes progress towards achieving them is a matter for the sole discretion of **The Company**.

16.4.8 **The Company**, the **Relevant Transmission Licensee** and the **User** shall constructively engage as required during the **Project Milestone Remedy Period** to understand whether the relevant **User Progression Milestone** can or is likely to be met and whether the issues in achieving the **User Progression Milestone** fall or are likely to fall under 16.5 below.

16.4.9 **Ongoing compliance with the Conditional Progression Mileston**es

16.4.9.1 Having achieved a **Conditional Progression Milestone** the **User** shall notify **The Company** (or respond to **The Company's** request for confirmation on this point) at the earliest opportunity in the event that it no longer meets or has reason to believe it will not continue to meet the requirements set out for that **Conditional Progression Milestone**.

16.4.9.1A Specifically in the case of a **Data Centre Service**:

16.4.9.1A.1 In the case of **DC Specific Progression Milestone** 2 (DC), if the procurement contract or arrangement is terminated, cancelled, rescinded, expires without replacement, or otherwise ceases to satisfy the wording, the User must notify **The Company** promptly and no later than 20 **Business Days** after becoming aware, and submit replacement evidence within 6 months of notification.

16.4.9.1A.2 In the case of **DC Specific Progression Milestone** 0.5 (DC) and 6a (DC), 6b (DC) and 6c (DC), where submitted evidence is terminated, withdrawn, cancelled, expires without replacement, or otherwise ceases to satisfy the requirement, the **User** must notify **The Company** promptly and no later than 20 **Business Days** after becoming aware, and submit replacement evidence within 6 months of notification.

16.4.9.2 In the event that the ongoing requirements of a **Conditional Progression Milestone** are no longer met, **The Company** will notify the **User** that the **User's** project is categorised as "Termination" and the provisions of 16.4.5 to 16.4.8 shall apply.

16.4.9.3 **Specific Provisions regarding Ongoing Compliance with the Original Red Line Boundary**

16.4.9.3.1 The **User** shall be required to confirm at each **User Progression Milestone** that the **User's** project meets the minimum acreage requirements as set out in the **LoA Guidance** i.e. that the land is equal to or greater than that provided for the technologies included in the **Gate 2 Application**.

16.4.9.3.2 The **Original Red Line Boundary** can only be changed as provided for in the **Queue Management Guidance**.

16.4.9.3.3 Subject to any changes in the **Original Red Line Boundary** provided for under the **Queue Management Guidance**, only 50% of whatever **Installed Capacity** is built within the **Original Red Line Boundary** can then be located outside of the **Original Red Line Boundary**.

16.4.9.3.4 A relaxation from the 50% requirement above is possible where this is justified and evidenced by the **User** in accordance with the **Queue Management Guidance**.

16.5 **Exceptional Issues on User Progression Milestones**

There may be a small number of exceptional issues outwith the **User's** control which may lead to **User** project delay and a **User** not being able to meet a **User Progression Milestone**.

a) The Exceptional issues which apply in the context of the **Queue Management Process** are as follows:
b) Where the **User** is delayed in carrying out the **User's Works** which entitles the **User** to fix a later date or dates under Clause 3.2 of the **Construction Agreement** (Delays and Force Majeure) and that delay is the reason that a **User Progression Milestone** is not met;
c) Where the **User** is not able to meet a **User Progression Milestone** due to an event of **Force Majeure**;
d) Where delays caused by a party (other than the **User**, **The Company** or a **Relevant Transmission Licensee**) can be demonstrated to have an impact upon the **User** meeting a **User Progression Milestone** and the **User** could not have avoided these delays or their impact by the exercise of **Good Industry Practice**
e) Where a **User** is not able to meet a **User Progression Milestone** due to Planning appeals and third-party challenges in relation to the **User'sConsents**;
f) Any delay in the achievement of a milestone by the **User** which is caused by a **Relevant Transmission Licensee** or **The Company**
g) Where a **User** can demonstrate that a forward looking M1 would have a detrimental impact on developing their **User's** project provided that any adjustment cannot be later than the backwards looking M1.

Where the **User** believes an exceptional issue applies it shall provide written evidence to this effect supported by confirmation from the **User's** board of directors or equivalent body for **The Company's** consideration.

Where a **User's** project is not able or is considered unlikely to meet a **User Progression Milestone**, as a result of an exceptional issue under the headings here, and providing the **User** notifies **The Company** and the **Relevant Transmission Licensee** of the delay and reasons for the delay at the earliest opportunity and provides reasonable evidence to justify this and satisfies **The Company** that the specific delay falls under this Paragraph 16.5, such delay will not result in the **User's** project being categorised as "termination" in relation to the relevant **User Progression Milestone** or **User Progression Milestones**. In such circumstances **The Company** will consequently issue a new milestone date for the missed milestone.

Whether or not the exceptional issues as listed here apply and the period of any extension, is a matter for the sole discretion of **The Company**.

16.6 **Implementation**

16.6.1 The **Queue Management Process** will be:

(i) included in any **Construction Agreements** (other than those which fall within Paragraph 16.2 above) offered as part of any new **Connection Offers**; and

(ii) introduced into any **Construction Agreements** (other than those which fall within Paragraph 16.2 above) which do not have the **Queue Management Process** already included within it) when a **Modification Offer** is made; and

(iii) introduced into any **Existing CMP376 Construction Agreement** which does not have the **Queue Management Process** already included within it through an Agreement to Vary that **Existing CMP376 Construction Agreement** in accordance with the process set out in Paragraph 16.6.3

in each case from the **CMP376 Implementation Date.**

16.6.2 Each **User** with an **Existing CMP376 Construction Agreement** shall be notified by **The Company** within:

a) ten **Business Days** of the **CMP376 Implementation Date** for an **Existing Construction Agreement** of a type in Paragraph 16.6.6 (c)(i) below; and
b) ten **Business Days** of the date of the **Construction Agreement** for an **Existing Construction Agreement** of a type in Paragraph 16.6.6 (c)(ii) below; and
c) in accordance with Paragraph 16.6.4 for **an Existing Construction Agreement** of a type in Paragraph 16.6.6 (c)(iii)

and in each case such notice shall invite the **User** to make a **Modification Application** to incorporate the **Queue Management Process** into its **Existing CMP 376 Construction Agreement**.

16.6.3 Where a **User** with an **Existing CMP376 Construction Agreement** does not make a **Modification Application** within 6 months of being notified in accordance with Paragraph 16.6.2 or does not accept the **Modification Offer** made in response to the **User's Modification Application** (and acknowledging that such offer may be disputed and referred to the **Authority** for determination) **The Company** shall issue the **CMP376 Agreement to Vary** to the **User**. The **CMP376 Agreement to Vary** shall be issued to the **User** as soon as practicable after the 6 months or failure to accept.

16.6.4 **A User** with a **Construction Agreement** (other than those which fall within Paragraph 16.2 above) where the **Completion Date** is on or before the date which is two years from the **CMP376 Implementation Date** will not have the **Queue Management Process** introduced into that **Construction Agreement** provided that the **User's** project is progressing in accordance with and is reasonably aligned to the **Construction Programme** in that **Construction Agreement**. If **The Company** has reason to believe that that is not the case and the **User** has not been able to demonstrate that it is progressing to **The**

Company's reasonable satisfaction **The Company** shall notify the **User** that the **Construction Agreement** is to be treated as an **Existing CMP376 Construction Agreement** and the provisions of Paragraph 16.6.3 shall apply but with the reference to "within 6 months of being notified in accordance with Paragraph 16.6.2" being replaced with "2 months after the issue of such notice".

16.6.5 In the case of **Modification Offers**, the **Queue Management Process** will be applied and Appendix Q created by reference to the **Completion Date** in the **Modification Offer** and the date on which the **Modification Offe**r is made by **The Company** to the **User**. In the case of the **CMP376 Agreement to Vary**, the **Queue Management Process** will be applied and Appendix Q created by reference to the **Completion Date** in the **Existing CMP 376 Construction Agreement** and the date on which the **CMP 376 Agreement to Vary** is offered by **The Company** to the **User**.

16.6.6 In this Paragraph 16.6:

a) the term **CMP376 Implementation Date** shall mean the **Implementation Date** for CUSC Modification Proposal 376 (Inclusion of Queue Management Process within the CUSC); and

b) the term **CMP376 Agreement to Vary** shall mean the Agreement to Vary issued by **The Company** to the **User** in accordance with Paragraph 16.16.3 above introducing the **Queue Management Process** and Appendix Q into an **Existing CMP376 Construction Agreement**; and

c) the term **Existing CMP376 Construction Agreement** shall mean a **Construction Agreement** (other than those which fall within Paragraph 16.2 above) where the **Works** under that **Construction Agreement** are not completed at the **CMP376 Implementation Date** and:

d) the **Construction Agreement** is dated on or before the **CMP376 Implementation Date** and the **Completion Date** is after the date which is two years from the **CMP376 Implementation Date**; or

e) the **Construction Agreement** is the subject of an **Offer** made on or prior to the **CMP376 Implementation Date**, is dated after the **CMP376 Implementation Date** and the **Completion Date** is after the date which is two years from the **CMP376 Implementation Date**; or

f) the **Construction Agreement** has a **Completion Date** which is on or before the date which is two years from the **CMP376 Implementation Date** and where **The Company** has issued a notice to the **Use**r under Paragraph 16.6.4 above.