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Workgroup Consultation Response Proforma

CMP470: Introducing an Oversubscribed Technologies

Commitment Fee

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to cusc.team@neso.energy by **5pm** on **30 April 2026**.

Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact cusc.team@neso.energy

Respondent details	Please enter your details	
Respondent name:	Dr Mubashar Amjad	
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Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input checked="" type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

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I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration)

For reference the Applicable CUSC (Connection charging) Objectives are:

Means the Use of System Charging Objectives, as if references therein to the Use of System Charging Methodology were to the Connection Charging Methodology and in addition, the objective (where consistent with the other objectives) of facilitating competition in the carrying out of works for connection to the National Electricity Transmission System.

For reference the Applicable CUSC (non-charging) Objectives are:

- i. *The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;*
- ii. *Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
- iii. *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and*
- iv. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

* See Electricity System Operator Licence

**The Electricity Regulation referred to in objective (iii) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the

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internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

For reference, (for consultation questions 5) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- a) fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

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What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions

1	Do you believe that the Original Proposal better facilitates the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe each solution better facilitates than the current baseline:	
		Original	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
		<p>Yes, the proposal better facilitates the Applicable Objectives compared to the current baseline.</p> <ul style="list-style-type: none"> (ii) Competition: The OTCF introduces a financial signal to encourage less viable projects to exit the queue, enabling more 	

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		<p>competitive and viable projects to progress.</p> <ul style="list-style-type: none"> • (iv) Efficiency: It supports more efficient network planning by reducing oversubscription and uncertainty in delivery. • (i) System efficiency: It improves the ability of the system operator to manage the queue and focus on projects that are more likely to be delivered. <p>These benefits are important given the significant oversubscription in technologies such as BESS.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We support the overall intent of CMP470 and agree that the introduction of the OTCF is necessary to address queue saturation and improve the efficiency of connections reform.</p> <p>However, the implementation approach should exclude projects that are close to energisation, for example those expected to energise within the next two years.</p>

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		<p>Projects at an advanced stage have already committed substantial capital and progressed through development and construction phases. Applying the OTCF at this stage would introduce disproportionate financial risk with limited benefit, as these projects are highly likely to proceed.</p> <p>We therefore recommend that the OTCF applies primarily to earlier-stage projects, while projects within 2 years of energisation are exempt.</p> <p>Furthermore, it is critical that appropriate transitional arrangements are introduced. In cases where developers have accepted Gate 2 offers prior to the OTCF being formally confirmed and implemented, there should be a form of amnesty or opt-out window.</p> <p>Without such a provision, developers may be exposed to a material increase in financial obligations after committing to a connection agreement, with no ability to exit without incurring cancellation charges. This would be inconsistent with principles of regulatory certainty and fairness.</p>
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3	Do you have any other comments?	<p>While we support the introduction of a financial mechanism to reduce oversubscription, it is important that implementation does not negatively impact near-term delivery.</p> <p>Exempting projects close to energisation would:</p> <ul style="list-style-type: none"> • Avoid jeopardising projects already in construction or advanced stages • Maintain investor confidence • Ensure timely delivery of capacity required for system needs <p>Clear transitional arrangements should also be defined.</p> <p>A key concern relates to projects that accept Gate 2 offers prior to the implementation of the OTCF.</p> <p>If the OTCF is introduced after contract signature, developers may be subject to significant additional financial obligations that were not known or factored into investment decisions at the time. In such cases, exiting the project would trigger cancellation charges, effectively locking developers into commitments under changed regulatory conditions.</p> <p>We strongly recommend the introduction of a transitional amnesty mechanism, such as:</p> <ul style="list-style-type: none"> • A defined grace period during which affected projects can withdraw without penalty, or
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		<ul style="list-style-type: none"> Exemption from OTCF for projects that have already accepted Gate 2 offers prior to implementation <p>This is essential to maintain investor confidence and ensure fairness.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section of CMP470)</p> <p><input checked="" type="checkbox"/> No</p> <p>We propose an alternative approach whereby:</p> <ul style="list-style-type: none"> Projects expected to energise within two years are exempt from the OTCF A clear definition of “advanced stage” is introduced (e.g. based on energisation date or construction progress) Transitional provisions are included for projects already significantly progressed Introduction of a transitional amnesty or opt-out window for projects that accepted Gate 2 offers prior to OTCF implementation, allowing withdrawal without triggering cancellation charges

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5	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Yes, we agree that the modification does not materially impact EBR Article 18 terms and conditions, as it relates to connection securities and queue management rather than balancing market arrangements.

Specific Workgroup Consultation questions

6	Do you agree with the workgroup's understanding of the issues which oversubscription creates?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Yes, we agree with the workgroup's understanding. Oversubscription creates inefficiencies in network planning, delays for viable projects, and uncertainty in delivery timelines.
7	Do you have evidence which may support the Workgroup in understanding what proportion of projects in the Gate 2 queue are unviable?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Based on industry experience, a significant proportion of projects in the Gate 2 queue are unlikely to progress due to:

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		<ul style="list-style-type: none"> • Land and planning constraints • Financing challenges • Revenue uncertainty (especially for BESS) <p>While exact proportions vary, it is reasonable to expect that a material share of projects may not reach construction.</p>
8	Do you have any comments on the Workgroups understanding of technical and economic viability of projects?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<p>We agree with the workgroup's understanding of viability. However, viability is dynamic and project-specific.</p> <p>It is important to recognise that:</p> <ul style="list-style-type: none"> • Some projects may appear viable initially but become uneconomic due to market changes • Conversely, advanced-stage projects are significantly more likely to be delivered <p>This further supports the need to differentiate between early-stage and late-stage projects.</p>
9		<input checked="" type="checkbox"/> Yes

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	Do you agree with the proposed activation threshold of 50% oversubscription and deactivation threshold of 25% oversubscription?	<input type="checkbox"/> No Yes, the proposed thresholds of 50% activation and 25% deactivation are broadly appropriate and provide a reasonable balance to avoid overcorrection and unnecessary volatility.
10	Do you think the OTCF should apply based on national or regional oversubscription?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, we support a national approach. A regional approach could introduce volatility and complexity due to smaller capacity pools and localised fluctuations.
11	Do you agree with the proposed timing of the OTCF from implementation or Gate 2 contract signature (whichever is sooner) up to energisation?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No We do not agree with applying the OTCF from contract signature through to energisation without distinction. We recommend that projects close to energisation within two years are excluded, as applying the fee at this stage would not contribute meaningfully to reducing

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		oversubscription and could risk delaying delivery.
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, applying the OTCF as a securities floor is appropriate and provides a clear and effective mechanism to ensure commitment from developers.
13	Do you agree with the level of the OTCF, including minimum and maximum levels if changing over time?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, the proposed levels appear reasonable as an initial approach. However, the impact on project economics should be monitored, particularly in combination with other cost pressures.
14	Do you agree that the OTCF should be applied to projects which co-locate an	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	oversubscribed technology with another technology?	Yes, applying the OTCF to co-located projects is appropriate to avoid loopholes and ensure consistency across technologies.
15	Do you agree that the OTCF should apply as well as the PCF?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>We do not support the OTCF being applied alongside the PCF without safeguards.</p> <p>The current design applies OTCF as a floor to total securities, including PCF. This creates a stacking effect, where projects may face increased financial exposure during the same stage of development.</p> <p>While the intent is to ensure commitment, the combined impact may be disproportionate, particularly for capital-intensive technologies such as BESS.</p> <p>We recommend introducing safeguards to ensure proportionality, such as limiting cumulative exposure or ensuring only one mechanism applies where appropriate.</p>
16	Do you agree that any OTCF funds relating to a customer which does	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

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	not go on to energise should be returned to consumers via TNUoS?	Yes, returning funds to consumers via TNUoS is appropriate and aligns with consumer benefit objectives.
17	Do you agree that NESO should have the option not to implement the OTCF if the activation threshold is breached?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Yes, providing NESO with discretion offers flexibility to respond to market conditions and avoid unintended consequences.
18	Do you agree with the proposed Alternative Request 1 solution?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Yes, subject to the inclusion of exemptions for near-term projects as outlined above.
19	Do you agree with the proposed Alternative Request 1 solution?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Yes, subject to the same considerations regarding project maturity and fair implementation.