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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:	Nikolaus Evan Reinaldo	
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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 type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input type="checkbox"/> None
		Click or tap here to enter text.	
2	Do you support the proposed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

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	implementation approach?	We disagree with some of the key features of the implementation as summarised in Q3 below.
3	Do you have any other comments?	<p>Our comments and views on specific design parameters are outlined in the following responses:</p> <p>Q10: We prefer regional rather than national application of the oversubscription assessment.</p> <p>Q11: We disagree with the proposed implementation date and the proposed end point of energisation. We prefer the implementation date as outlined in Alternative Request 1, and propose a graduated disapplication tied to objective construction commitment milestones as elaborated in Q13 below.</p> <p>Q13: We disagree with the proposed level of the securities floor as currently structured. We propose the floor be activated at £1.5k/MW (consistent with Alternative Request 2), and capped at £3k/MW.</p> <p>Q14: We agree the OTCF should apply to co-located projects, with the caveat that the same treatment (including the minimal network impact exemption) must be applied consistently to standalone BESS projects that do</p>

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		<p>not trigger material attributable works or connection costs.</p> <p>Q18: We agree with Alternative Request 1 as the availability of flexible connection / technical limit is one factor that may determine the commercial viability of a project.</p> <p>Q19: We agree with Alternative Request 2 that £1.5k/MW is the appropriate activation level. We accept the floor may be ramped up where oversubscription does not reduce sufficiently, but £3k/MW must be the absolute cap. Beyond this level the mechanism disproportionately disadvantages smaller developers with viable projects. Detail in Q13.</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>Click or tap here to enter text.</p>
5	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>

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	and conditions held within the Code?	
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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
		Agree
7	Do you have evidence which may support the Workgroup in understanding what proportion of projects in the Gate 2 queue are unviable?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		-
8	Do you have any comments on the Workgroups understanding of technical and economic viability of projects?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		-
9	Do you agree with the proposed activation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	threshold of 50% oversubscription and deactivation threshold of 25% oversubscription?	Agree.
10	Do you think the OTCF should apply based on national or regional oversubscription?	<input type="checkbox"/> Yes <input type="checkbox"/> No Regional. <p>The oversubscription problem is spatially uneven and a national mechanism cannot distinguish between zones where BESS is surplus to need and zones where it is desirable or necessary. Applying a uniform financial burden nationally risks driving out system-appropriate projects in zones where oversubscription is marginal, tipping those zones into undersubscription. We recommend zonal application aligned to SSEP zones.</p> <p>Furthermore, oversubscription (for BESS) must be assessed separately for transmission and distribution connected projects, consistent with the CP30 Action Plan which already establishes distinct capacity targets for each. A single national MW aggregate dominated by large transmission-connected projects creates a misleading oversubscription signal that unfairly captures distribution-connected projects whose individual contribution to that aggregate is</p>

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		<p>modest. Distribution-connected BESS connects at GSP level, where infrastructure can cumulatively accommodate multiple connection customers without triggering the dedicated new network builds that represent the primary consumer cost the OTCF is designed to recover.</p> <p>Applying the same national floor to distribution-connected projects on the basis of an oversubscription figure they did not materially drive, and for network costs they do not materially cause, is neither proportionate nor consistent with the CP30 framework's own distinction between connection types.</p>
11	Do you agree with the proposed timing of the OTCF from implementation or Gate 2 contract signature (whichever is sooner) up to energisation?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>No.</p> <p>On the start point: we agree with Alternative Request 1. Our rationale is outlined in Q18.</p> <p>On the end point: energisation is too late. The OTCF's purpose (removing uncommitted projects from the queue) is substantially achieved once a project demonstrates non-recoverable financial commitment to construction. Beyond that point the TO's</p>

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		<p>planning risk is materially reduced and the floor serves no further queue management function.</p> <p>Continuing to charge a securities floor on a project already committing capital to civil works, equipment procurement, and grid connection costs imposes a direct liquidity burden with no corresponding system benefit. This is particularly acute for smaller developers who, unlike large well-capitalised funds, cannot simultaneously absorb security obligations and construction expenditure without material impact on project delivery.</p> <p>We therefore propose the OTCF disappplies on a graduated basis tied to objective construction commitment milestones:</p> <ul style="list-style-type: none"> • The floor reduces by 50% upon placement of a purchase order for the primary technology component (battery containers for BESS projects, PV panels for solar projects). • The floor disappplies entirely upon commencement of physical site construction, defined as the start of groundworks or civil works on site. <p>While this framework may not materially affect projects with significant existing live securities, it is particularly relevant for projects that trigger minimal or near-zero attributable works but are</p>
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		currently progressing the project, for example technical limit connections, where the OTCF floor risks becoming the dominant financial obligation rather than topping up a meaningful existing security as intended.
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Agree.
13	Do you agree with the level of the OTCF, including minimum and maximum levels if changing over time?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No No. Our objection is that the proposed escalation to £25k/MW is disproportionate and unsustainable for smaller developers. We propose the floor be activated at £1.5k/MW (consistent with Alternative Request 2), and capped at £3k/MW . This aligns the securities profile with the MM3 fixed security statement for those who have opted into a fixed security profile, and represents a level that creates a genuine financial signal without becoming a barrier to entry for smaller developers with viable projects. Raising the floor above £3k/MW is not sustainable for connecting customers and

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	<p>disproportionately advantages larger, better-capitalised developers. Smaller developers with technically and commercially viable projects may be forced to surrender positions or sell those projects to stronger financial backers simply because they cannot absorb escalating security obligations. This outcome is contrary to the mechanism's objective, it removes viable projects on financial grounds alone rather than on the basis of project merit or system need.</p> <p>On the dynamic versus static design: the floor escalates based solely on national oversubscription figures with no account taken of what an individual project is doing. A dormant project and an actively constructing project face identical obligations.</p> <p>The graduated disapportion framework proposed in Q11 corrects this by reducing the floor by 50% upon placement of a purchase order for the primary technology component, and disapplying it entirely upon commencement of physical site construction. Without this dynamic element the mechanism cannot distinguish between the projects it is designed to flush out and those it should be protecting.</p> <p>To illustrate: a technical limit connection with a non-firm energisation date of Q1 2028, assessed</p>
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		<p>at October 2027 implementation, will in all likelihood have placed equipment orders (triggering the 50% reduction from £1.5k/MW to £0.75k/MW), or commenced physical construction (triggering full disapplication to zero). The project faces at most one securities period at £0.75k/MW. This is the correct outcome for a project that is not speculative, carries no attributable network cost, and is already actively committing capital to construction.</p>
14	<p>Do you agree that the OTCF should be applied to projects which co-locate an oversubscribed technology with another technology?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes. We agree the OTCF should apply to co-located projects where the oversubscribed technology component contributes to network oversubscription, and we support the exemption conditions introduced following workgroup feedback, specifically that co-located projects are exempt where the oversubscribed technology connects after the other technology, or where its addition has minimal network impact identified by no additional attributable works or connection costs.</p> <p>However, this exemption logic must be applied consistently to standalone projects. If a co-</p>

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		<p>located project is exempt on the basis that its BESS component triggers no additional attributable works or connection costs, then a standalone BESS project that equally triggers no additional attributable works or connection costs must be treated the same way. The network impact is identical. There is no principled basis for exempting one and not the other simply because of project structure.</p> <p>We therefore recommend that the minimal network impact exemption (as defined under Parameter 6) applies equally to standalone BESS projects that trigger no additional attributable works or connection costs, including technical limit connections. To do otherwise would be arbitrary, inconsistent, and contrary to the mechanism's own consumer cost justification.</p>
15	Do you agree that the OTCF should apply as well as the PCF?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Agree.
16	Do you agree that any OTCF funds relating to a customer which does not go on to energise should be returned to	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Agree

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	consumers via TNUoS?	
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
		Agree
18	Do you agree with the proposed Alternative Request 1 solution?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<p>Agree. The nature of connections reform is to bring forward project connection dates by removing projects that are not ready. It must also be considered that flexible connections may become available following acceptance of a Gate 2 offer.</p> <p>The logic is correct to allow some time for DNOs, especially for those who have opted into advancement, to express their interest in receiving a flexible offer upon accepting their Gate 2 offer (the Expression of Interest form is understood to be shared as part of the Gate 2 offer package). If this is the case, the alternative request 1 is valid. Customers must have greater clarity over their connection date (including</p>

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		any non-firm or flexible connection option) before making a go or no-go decision.
19	Do you agree with the proposed Alternative Request 2 solution?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<p>Yes. We support Alternative Request 2 in respect of the level (£1.5k/MW activation consistent with our position in Q13, as this represents a proportionate starting point that creates a genuine financial signal without disproportionately burdening smaller developers with viable projects.</p> <p>We still support that the floor may be ramped up beyond the activation level where oversubscription does not reduce sufficiently, but maintain that £3k/MW must be the absolute cap. Beyond this level the mechanism ceases to be a queue management tool and becomes a financial barrier that disproportionately favours larger, better-capitalised developers over smaller ones with equally viable projects.</p> <p>On the timing we prefer the approach set out in Alternative Request 1. Technical limit and flexible connection solutions may not begin to be offered until all projects have received their Gate 2 offers (potentially as late as March 2027 for distribution Phase 2 projects). A developer</p>

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		<p>cannot make a fully informed go or no-go decision without first knowing whether a flexible or technical limit connection is available to them. Applying the OTCF before this information is available to all developers would be premature and risks driving exit decisions based on incomplete information.</p> <p>We therefore advocate for a hybrid approach combining the level proposed in Alternative Request 2 with the timing proposed in Alternative Request 1, capped at £3k/MW as outlined in Q13, and subject to the graduated disapliation framework proposed in Q11. This produces a mechanism that is proportionate in level, fair in timing, and dynamic in its treatment of projects demonstrably progressing toward construction.</p>
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