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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:	Ciaran Fitzgerald	
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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 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

I wish my response to be:

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(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 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:

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- 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.*

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.

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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?	<p>Mark the Objectives which you believe each solution better facilitates than the current baseline:</p> <table border="1"> <tr> <td>Original</td> <td> <input type="checkbox"/>i <input type="checkbox"/>ii <input type="checkbox"/>iii <input checked="" type="checkbox"/>iv <input type="checkbox"/>None </td> </tr> </table> <p>AO i) We agree with the proposer that the proposal is neutral against this objective.</p> <p>AO ii) There are two conflicting arguments concerning whether this modification better facilitates competition. It could be deemed as a positive change for competition as the removal of unviable projects encourages more, viable projects to enter the queue and provide competitive options. Conversely, it can be argued that the intervention is in itself anti-competitive. We support the intervention and do not see it as anti-competitive but find the argument that it introduces better competition difficult to support. Therefore, we have marked this as neutral.</p> <p>iii) We believe this is neutral against this objective.</p> <p>iv) We believe this there is a significant benefit against this objective. The aims and objectives of implementing Connections Reform are well understood and generally accepted. The unintended consequences of the protections and its impact on the BESS capacity in the Gate 2 Queue has been counterproductive to these aims. If this modification can enable a more efficient queue, which contains a higher % of viable projects, it will enable NESO to manage the queue more efficiently, with less waste and less requirements for re-work.</p>	Original	<input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
Original	<input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None			
2	Do you support the proposed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

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	implementation approach?	<p>Ideally, this modification would have been agreed and implemented in time for it to be include in Gate 2 offers. However, given that some Gate 2 offers have been issued, it would be unfair to introduce it into some User's contracts on receipt of a Gate 2 offer but not others. Therefore, a date soon after all Gate 2 offers should have been issued (according to the current timeline) seems the best alternative. It is also possible that by agreeing to implement the modification over the coming months, that the prospect of the OTCF will encourage Users with unviable projects to review their viability of their project and potentially decline to sign their Gate 2 offers.</p>
3	Do you have any other comments?	<p>As noted in the workgroup report, there are two clear and significant benefits to this modification:</p> <ol style="list-style-type: none"> 1. Reduced Cost to Consumers 2. Positive impact on connection dates. <p>We strongly support the introduction of an OTCF (or similar financial instrument) on this basis. The Transmission Owners are obliged to design the network for all contracted Gate 2 customers. They must therefore expend valuable time and resources designing the network and developing the projects necessary to provide the connections. These requirements will be wide ranging and go well beyond network design – the consenting process for new infrastructure, negotiating with landowners, engaging suppliers etc. These costs will not all be covered by the standard User Commitment Methodology (CMP192) securities, particularly when they can be very low for certain projects and at different times in the project lifecycle.</p> <p>Carrying out these activities for non-viable projects also diverts these resources from the viable, needed projects that will help enable the achievement of the CP30 goals. We believe that this instrument is a reasonable step to help curtail the influx of 'not needed' BESS projects (or any</p>

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		other technologies that are significantly oversubscribed in future) and to create a deliverable queue that is more reflective of the projects which will progress to energisation.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section of CMP470) <input checked="" type="checkbox"/> No N/A
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 We do not believe that this modification impacts the EBR Article 18 terms and conditions held within the Code.

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 As noted above in the response to question 4, we are supportive of the fact that the OTCF has a positive impact on the cost to consumers and on delays to connection dates seen by more viable projects. We agree that TOs have no alternative than to design for the Gate 2 queue which is contracted. Whilst we agree with the suggestion that this may be an unnecessary move should the SSEP increase the capacity limits for BESS projects, if the
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		capacities are unlikely to increase up to the current queue size (as suggested by OFGEM), then it still makes sense to implement this change. As noted in the response to question 4, we also agree that all network costs will not be covered by the User Commitment Methodology cancellation fee. We believe that the behaviour of the pre-reform queue, and the output of Connections Reform, shows that natural market attrition materialises too slowly to avoid having the negative impacts on consumers and other viable projects – hence this intervention is necessary.
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 <p>We do not have any specific evidence but believe it is well understood through this discussion and industry forums that there is not sufficient financial incentive the huge number of BESS projects in the queue to connect – and hence a large number of these projects will be economically unviable.</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 that the more significant factor contributing to the viability of projects is the economic viability as opposed to technical viability. When the BESS market becomes saturated (as per the projections provided), the financial incentive for these BESS projects to be built will fall away and the projects will not be built. This will then lead to termination of contracts and the work of NESO and the TOs in designing for these projects will be wasted and re-work may be required that impacts on other queue</p>

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		participants. The thresholds being proposed give a significant buffer to ensure overcorrection does not occur.
9	Do you agree with the proposed activation threshold of 50% oversubscription and deactivation threshold of 25% oversubscription?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>On balance, we can support the proposed activation threshold of 50%. It is essential that the activation and deactivation threshold are introduced to reduce the volatility of the OTCT being activated and de-activated too frequently. A deactivation threshold above the CP30 limits is important to provide the buffer to ensure overcorrection does not occur. If we were to propose a change, it could be to make both the deactivation and activation threshold lower – eg. 15 and 35% respectively, however we are not looking to propose this as an alternative at this stage.</p>
10	Do you think the OTCF should apply based on national or regional oversubscription?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>We had considered whether applying the PCF only to projects which are not 'needed' would be a better alternative. This would require NESO to determine and publish which projects fall within the 'needed' 30GW and which are outside – and then only applying the OTCF to those projects which fell as part of the 'surplus' 60MW. However, we are not proposing this at this stage as being within the 30 or 60 GW pots does not give an indicate of the viability of projects. As the aim is to enable viable projects to energise and deter non-viable projects from staying in the queue longer than they otherwise would, we believe applying this to the full oversubscribed technology portfolio is the better approach.</p>

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		<p>We also support the OTCF being applied nationally as there is widespread oversubscription and because applying it on a regional basis could be overly burdensome on NESO to administer. If projects are located in a region where there is less oversubscription, they are likely to be more viable and therefore committed to the project and able to withstand the imposition of the OTCF. If projects are in an area that is highly oversubscribed then they are less likely to be viable and may choose to exit the queue sooner because of the OTCF. Therefore, we believe a national OTCF still has the desired impact on a regional basis without unduly impacting on viable projects.</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 checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes – given the acceleration of grid connections required to achieve the CP30 goals, it is essential that the impact of the modification is realised at an early stage – hence we support its introduction from Gate 2 offer acceptance/implementation. We support this then remaining in place until energisation because as viable projects progress towards energisation, they will be sufficiently incentivised and committed to maintain providing the OTCF security, which they also know will be refunded upon energisation.</p>
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes – introducing the OTCF as a floor is a fairer approach than having cumulative securities. Projects which are similar in nature may have very different CMP192 securities, completely independently of their viability. Using the OTCF</p>

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		as a securities floor avoids placing an unnecessarily high burden on projects with existing high levels of CMP192 securities.
13	Do you agree with the level of the OTCF, including minimum and maximum levels if changing over time?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>We do not agree with the proposed structure of the application of the OTCF over time on the basis:</p> <ul style="list-style-type: none"> • Evaluating and potentially changing the OTCF every 6 months would place a high administrative burden on NESO • It creates a situation where User's cannot plan as they are not in control of how the queue is behaving and how the OTCF might change • The timescales for NESO and Users to react and implement the revised OTCF would be too constrained • Given the uncertainty over how this will impact on the behaviour of Users, the proposed framework of increases/decreases is too well defined at this stage and requires more flexibility <p>We believe that a better approach would be to have a single £/MW OTCF which remains in place whilst the OTCF is in the 'activated' stage. However, we believe that the solution could include an upper and lower limit of a £/MW charge (agreed now via the workgroup and consultation process), within which NESO could change the OTCF value. The justification for this change would need to be published and OFGEM would have the opportunity to refuse this change. There would also need to be an appropriate time lag for implementation, eg. the second biannual statement period after the decision has been published. This would ensure there is at least 6 months for User's to evaluate the decision and self-terminate before the OTCF increases, and could only be done once in a</p>

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		given period (eg 2 years). This approach would be more simple in the first instance, create a level of short-medium term certainty but also allows NESO to use their knowledge of queue behaviour to identify the best value for the OTCF under changing circumstances.
14	Do you agree that the OTCF should be applied to projects which co-locate an oversubscribed technology with another technology?	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We understood the arguments made in the workgroup regarding projects which have an oversubscribed technology but are co-located with a 'needed' project. However, there would need to be further exploration of this before we could support this. The justification for this is that the network design and build would already be proceeding for the needed technology. However, the following needs to be better understood:</p> <ol style="list-style-type: none"> 1. Beyond the network design and build costs, can NESO clarify if there are other negative impacts from having excess BESS projects on the network (or other potentially oversubscribed projects?) 2. Can it be demonstrated that there is £0 additional costs for the TO to accommodate the co-located, oversubscribed technology? If there is a small cost attributed to the additional technology (as we believe to be the case), would NESO & the TOs be prepared to define this split of costs between technologies? 3. If the values could be defined, would there be a cap which says something similar to: 'provided the inclusion of the oversubscribed technology results in no more than £x additional costs, then the OTCF would not apply'? If so, what would be the value of the cap?

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		4. Could this cap be applied to other projects which are not co-located, but require very limited network build?
15	Do you agree that the OTCF should apply as well as the PCF?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		As noted in the workgroup, it's very unlikely that the PCF will apply at the same time as the OTCF and the floor mechanism ensures that any User who does happen to qualify for both Fees will not be hit with compounding securities.
16	Do you agree that any OTCF funds relating to a customer which does not go on to energise should be returned to consumers via TNUoS?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Agree – as the intention of the proposal is to minimise the impact of cost to consumers – then any OTCF fees paid should be passed through as a benefit to consumers through 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
		<p>Yes – NESO & Ofgem should have the discretion to not apply the OTCF if the activation threshold is breached in the same way that they do with the PCF. This is because NESO and/or Ofgem are in a position to understand if the situation has changed or is likely to change, and therefore may be of the view that to implement the OTCF would be counterproductive, even when the activation threshold has been met.</p> <p>However, we would argue against powers for Ofgem/NESO to not de-activate the OTCF when the de-</p>

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		activation threshold has been met. We believe that the deactivation threshold should be set by the workgroup and any change to this should be subject to further consultation.
18	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>We believe that Alternative Proposal 1 better facilitates AO 4) against the baseline and is neutral against the other objectives. This is because it is similar in nature to the original and would create efficiency in the implementation and administration of the CUSC arrangements by incentivising unviable projects to leave the connections queue sooner than they would have under the baseline conditions.</p> <p>However, we believe that Alternative Proposal 1 performs less well relative to the Original. As set out in our response to question 2, our view is that this modification should be implemented as soon as possible. This will ensure the benefits are felt immediately in order to minimize cost to consumers and enable the meeting of the CP30 goals. Therefore, as this alternative introduces a delay, this creates the opportunity for the problem to stagnate and negatively impact consumers and more viable projects. Therefore, we believe the Original is a better proposal than Alternative Proposal 1.</p>
19	Do you agree with the proposed Alternative Request 2 solution?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<p>Similarly, we believe that Alternative Proposal 2 better facilitates AO 4) against the baseline and is neutral against the other objectives. This is because it is similar in nature to the original and would create efficiency in the</p>

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		<p>implementation and administration of the CUSC arrangements by incentivising unviable projects to leave the connections queue sooner than they would have under the baseline conditions.</p> <p>However, we believe that is performs significantly less well relative to the Original and is not a sufficient deterrent to encourage enough unviable projects to leave the queue. This is most significantly due to the low £/MW OTCF but also as a result of the delay before then. We do not believe this alternative is sufficiently strong to resolve the issue identified.</p>
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