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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 cust.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 cust.team@neso.energy

Respondent details	Please enter your details	
Respondent name:	Graeme Fawcett	
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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 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

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*

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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:

- 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;*

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- 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.

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	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 checked="" type="checkbox"/> iv

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	Applicable Objectives versus the current baseline?	<input checked="" type="checkbox"/> None	<p>EcoDev Group Ltd considers that the Original Proposal better facilitates Objective (iv) (efficiency in the implementation and administration of the CUSC arrangements), in that it would, if effective, reduce the volume of Gate 2 Connection Agreements that NESO and the TOs are required to plan and administer for. We do not consider the Original Proposal better facilitates Objective (ii) (effective competition in generation); on the contrary, we consider it actively harms it. The calibration of the securities floor (rising to a £25k/MW cap) creates an immediate cash-call which is uneconomic to bond against pre-FID assets for any developer below investment-grade scale. For an independent developer of EcoDev's size, the OTCF would create a security demand of the order of £20m on existing Gate 2 portfolio at the £25k/MW cap. AAA-rated incumbents and large vertically-integrated holders can absorb this against balance sheet at marginal cost; smaller developers cannot, and will be forced to surrender economically viable projects to those incumbents at distressed valuations, or terminate them. The OTCF as designed will not select projects by economic merit; it will select developers by balance-sheet capacity. We consider the harm under Objective (ii) materially outweighs the efficiency gain under Objective (iv). Several Workgroup members raised the competition concern during deliberations; we endorse and develop it in our responses to Q2, Q3, Q12 and Q13.</p>
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<p>We do not support the proposed implementation timing. The revised approach (first biannual securities statement after both G2tWQ offers and the first Gated Application Window offers have been signed or lapsed, currently projected as the July 2027 statement for securities placed in September 2027) is an improvement on the January 2027 date in the Original Proposal, but is still inadequate to allow the transactions that mitigate the competitive harm we identify in our responses to Q1, Q3, Q12 and Q13. The Workgroup has acknowledged (under "Will the market resolve the issue itself in time?") that commercial transactions to sell viable projects to better-capitalised counterparties typically take three to six months and can take longer, and that without sufficient runway, insufficiently-capitalised developers would be forced to terminate economically viable projects. Counting backward from a September 2027 securities placement, a six-month transaction window would require developers to commence sale processes in or around April 2027 — which is when</p>

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		<p>the final G2tWQ Gate 2 offers are due for signature, and before developers will have visibility on the SSEP (expected Autumn 2027). The implementation approach therefore compresses transaction runway to a degree that is inconsistent with the Proposer's stated intention to allow voluntary exit of less viable projects rather than forced termination of viable ones. We support either deferral of OTCF implementation to allow a full 12 months between final Gate 2 offer signature and first OTCF-bearing securities placement (which broadly aligns with Alternative Request 1), or coupling implementation to publication of the SSEP, whichever is later.</p>
3	Do you have any other comments?	<p>We raise four issues not directly captured in the specific questions, of which the first is the most material.</p> <p>First, competitive effect. The Original Proposal as currently calibrated is anti-competitive in operation. A £25k/MW cap applied to a Gate 2 BESS portfolio at the scale of an independent developer creates a cash-call in the order of £20m, which cannot be bonded against pre-FID assets on commercial terms. AAA-rated and vertically-integrated connection holders can absorb this against balance sheet; independent developers cannot. The practical effect is forced surrender of viable projects to those incumbents — concentration of generation ownership in the AAA-rated incumbents, by the back door of a securities mechanism. This was raised by several Workgroup members and we endorse it. The harm is structural to a uniform £/MW floor that bears no relationship to a developer's capacity to fund it. The modification should not progress to Code Administrator Consultation without a proportionality mechanism (see Q12 and Q13).</p> <p>Second, calibration. The activation threshold is benchmarked against the 2035 CP30 capacity (29GW for BESS) with a 50% tolerance, but the Government's deployment target is 23–27GW by 2030. The threshold therefore sits materially above the policy ceiling for the period in which the OTCF is intended to bite.</p> <p>Third, grandfathering. The Proposer cites investor confidence as the reason not to revisit CMP434/CMP435 protections. The OTCF, by applying to countersigned Gate 2 Connection Agreements, raises the same concern. A grandfathering carve-out for Agreements past Queue Management Milestone 1 would address the inconsistency.</p>

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		Fourth, bay-sharing. The DESNZ and Ofgem open letter of 16 April 2026 encourages expanded bay-sharing as a mitigation for oversupply. Bay-sharing reduces the substation-bay scarcity underpinning the OTCF rationale. The Workgroup should set out how the OTCF level will be calibrated against bay-sharing uptake.
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
		No alternative request raised by EcoDev Group Ltd.
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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		Disagree in qualified terms. The modification does not directly engage Article 18 T&Cs, which concern operational rules for balancing-services procurement rather than upstream connection-queue securities. However, Article 18 T&Cs serve the Article 3 regulatory objectives, including facilitating storage participation on a level playing field, avoiding undue barriers to entry, and fostering balancing-market liquidity. For the reasons set out in our responses to Q1, Q2, Q3, Q12 and Q13, the OTCF as currently calibrated will reduce the population of independent storage operators able to hold and energise BESS connections, and concentrate connection holdings in AAA-rated incumbents. That has a downstream effect on the population of storage participants in balancing markets which the Workgroup should record as an indirect impact on the Article 3 objectives, even where the Article 18 T&Cs themselves are not amended.

Specific Workgroup Consultation questions

6	Do you agree with the workgroup's understanding of the issues which	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		We agree the Workgroup has correctly identified that material oversubscription against CP30 capacity targets

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	oversubscription creates?	affects TO network planning. We disagree with the implied conclusion that this requires the OTCF as the remedy. The Workgroup pack records, but does not in our view adequately stress-test, the contrary view that natural market attrition will resolve oversubscription without regulatory intervention. Most BESS capital is committed at FID, not before; pre-FID sums are contained and recoverable; revenue forecasts adjust as build-out progresses, such that projects deep in the queue lose investability when forecasts re-rate to actual deployment volumes rather than CP30-aligned scenarios. The Proposer's characterisation of market resolution as "likely a slow process taking multiple years" is asserted rather than demonstrated, and is not tested against the rate at which revenue-forecast adjustment actually compresses project economics. The Workgroup should commission analysis of the expected pace of natural attrition under realistic revenue assumptions before concluding that regulatory intervention is necessary. Our concern is that the OTCF substitutes a balance-sheet-based selection mechanism (which we describe as anti-competitive at Q1, Q3, Q12 and Q13) for a market-based one (revenue compression at the back of the queue), and that the case for that substitution has not been made out.
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 EcoDev Group Ltd does not hold market-wide acquisition data of the type the Workgroup is seeking. We note the Workgroup's observation that 'unviable' is contested terminology; 'uninvestable at current revenue forecasts' is a more accurate framing and recognises that viability is path-dependent on revenue projections which themselves move with deployment volumes.
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 We endorse the Workgroup member observation that revenue forecasts supporting Gate 2 BESS valuations are typically referenced to a CP30-aligned (~30GW) deployment scenario, and that projects sitting deep in the queue are valued on revenues which will not materialise if the queue is built out as currently composed. This is relevant to OTCF design: a fee that

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		accelerates exits from the back of the queue rather than the front would more accurately track the economic viability gradient. We caution however that under the Original Proposal as drafted, exit pressure is determined by capacity to bond rather than by economic position in the queue (see Q3 and Q13) - so the OTCF may force exits of viable projects held by smaller developers ahead of unviable projects held by larger balance-sheet incumbents.
9	Do you agree with the proposed activation threshold of 50% oversubscription and deactivation threshold of 25% oversubscription?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Disagree on calibration; the deadband design is sensible. The 50%/25% deadband is a sensible feature to avoid OTCF flicker. However, the activation threshold is benchmarked against the 2035 CP30 capacity (29GW for BESS), so the OTCF activates at 43.5GW national capacity. The Government's deployment target is 23-27GW by 2030. Activating at 1.5x the 2035 number means the OTCF takes effect at a level materially above the 2030 policy ceiling. The Workgroup should consider whether the denominator should be the 2030 target, or whether the tolerance should tighten on a defined glidepath as 2030 approaches. The 5GW minimum target safeguard is sensible and supported.</p>
10	Do you think the OTCF should apply based on national or regional oversubscription?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Regional weighting should be incorporated. The binding physical constraint in connections reform is regional substation and circuit capacity. As drafted, a project at a regionally undersubscribed strong grid node attracts the OTCF because of a glut elsewhere in GB - removing capacity from the locations where it is least scarce. The Proposer's small-numbers volatility concern is legitimate but soluble with appropriate buffers. We suggest a hybrid: national activation, with regional partial exemption or reduced floor where regional oversubscription is materially below the national rate. This better tracks the bay-sharing logic encouraged in the DESNZ and Ofgem open letter of 16 April 2026 and avoids the OTCF working against regionally balanced network development.</p>

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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
		<p>We disagree with universal application of the OTCF from implementation or Gate 2 contract signature up to energisation. As several Workgroup members noted, the projects holding up the queue are those at the front, not those with later connection dates. Applying a stepping fee uniformly to projects connecting in 2032 or later risks forcing exit of viable but later-dated projects which cannot fund several years of locked security, while doing little to accelerate front-of-queue resolution. We suggest the Workgroup tests time-bounded application (e.g. five years pre-connection) or stepped application that ramps closer to connection date, as alternatives. We acknowledge the Proposer's gaming-risk argument against tying disapplication to construction-start milestones, and consider that argument has weight.</p>
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>Disagree without a proportionality cap. A floor mechanism is preferable to a flat addition in principle, but the Original Proposal applies the floor as a uniform £/MW figure with no relationship to the developer's capacity to fund it. This produces the competitive harm we describe in Q3: large-portfolio developers carry the OTCF against balance sheet, while independents face cash-calls in the order of £20m which cannot be bonded against pre-FID assets. The Workgroup-discussed alternative of a per-project securities-linked cap (the OTCF stepping capped at each project's own peak securities exposure) addresses this. We strongly support taking that variant forward, with NESO providing the data needed to test it. Without a proportionality mechanism, applying the OTCF as a securities floor is anti-competitive in operation, regardless of intent.</p>
13	Do you agree with the level of the OTCF, including minimum and maximum levels	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>Disagree with the level. We support the lower starting point of £3k/MW (revised from £10k/MW) and the</p>

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	if changing over time?	introduction of an intermediate £5k/MW step. We have two concerns. First, the £25k/MW cap is set without a stated relationship to the network costs the OTCF is intended to incentivise the avoidance of. Second, and more fundamentally, a uniform £/MW basis without a per-project absolute cap is anti-competitive: at the £25k/MW maximum, an independent developer of EcoDev's scale faces an aggregate cash-call in the order of £20m on its Gate 2 portfolio - which cannot be bonded against pre-FID assets and exceeds what is commercially underwritable for a developer outside the AAA-rated incumbent group. The same £25k/MW figure is trivially absorbed against balance sheet by large vertically-integrated holders. The OTCF as currently calibrated will not select projects by economic merit; it will select developers by balance-sheet capacity. We therefore strongly support the Workgroup-discussed alternative of capping the OTCF at each project's own peak securities exposure (or at an absolute per-project ceiling), and we support the Proposer's recommendation that NESO provide the data needed to test that variant before a final position is taken on the level.
14	Do you agree that the OTCF should be applied to projects which co-locate an oversubscribed technology with another technology?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>We support the principle that the OTCF should apply to projects which include the oversubscribed technology, including those which co-locate it with another technology, and support the exemption framework where the oversubscribed technology connects after the other technology, or where it has no attributable works or connection costs. The legal text must specify the attribution rule for co-located capacity (nameplate of the oversubscribed component, shared-bay attribution, or metered-capacity proxy), and how this interacts with the project's aggregate connection capacity. Without explicit drafting, the exemption test 'no additional attributable works' will produce inconsistent application across DNO and TO boundaries.</p>
15	Do you agree that the OTCF should apply as well as the PCF?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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		<p>Disagree. The Proposer accepts that the PCF and OTCF "are very unlikely to ever apply to the same project," yet the Original Proposal nevertheless permits both fees to apply concurrently subject only to the MAX() floor formula. We do not consider this drafting choice can be reconciled with the Proposer's stated position. If the two mechanisms are designed to capture different cohorts of projects (PCF pre-planning, OTCF post-planning consent), the legal text should disapply one where the other applies, not retain both as live exposures. Permitting stacking — even with a MAX() floor that prevents arithmetic double-counting in any individual securities statement — creates a regulatory architecture in which independent developers face up to £35k/MW combined maximum exposure (PCF cap of £10k/MW plus OTCF cap of £25k/MW), against the £25k/MW or less faced by larger balance-sheet incumbents which can structure around individual mechanisms. For the reasons set out in our responses to Q1, Q3, Q12 and Q13, layering of financial mechanisms compounds rather than mitigates the anti-competitive effect on smaller developers. The Workgroup should adopt a backstop disapplication clause: where a project is subject to one mechanism, the other is disappplied. The MAX() floor formula is not a substitute for clean drafting on which mechanism governs which cohort of projects.</p>
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?	<p><input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>Agreed. The pass-through of OTCF funds via TNUoS where the customer does not energise is consistent with the precedent set in CMP448 for the Project Commitment Fee, and ensures that the consumer benefits from securities collected against an unrealised connection.</p>
17	Do you agree that NESO should have the option not to implement the OTCF if the activation threshold is breached?	<p><input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>Agreed. The discretion mechanism (NESO option to apply, with Ofgem overrule) is a sensible safeguard against unforeseen circumstances where the activation threshold is met but OTCF application would not be appropriate, and is consistent with the precedent set in CMP448 for the Project Commitment Fee.</p>

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18	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input type="checkbox"/> No <p>EcoDev Group Ltd does not formally endorse Alternative Request 1 but notes that the timing argument it advances is broadly aligned with our position at Q2, that the revised October 2027 implementation is inadequate to allow the commercial transactions which the Workgroup itself has acknowledged are needed to avoid forced termination of viable projects. Whether the appropriate deferral is to March 2028 (as Alternative Request 1 proposes) or to a date coupled to publication of the SSEP (expected Autumn 2027) is a question we leave to the Workgroup. We support the use of the comparison table at Annex 07 to test the impact of the alternative timing on overall queue outcomes including, in particular, on the volume of forced versus voluntary exits.</p>
19	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input type="checkbox"/> No <p>EcoDev Group Ltd takes no position on Alternative Request 2. We note the proposal would meaningfully reduce both the competitive harm we identify in our responses to Q1, Q3, Q12 and Q13, and the runway-compression concern we identify in our response to Q2 — a £1.5k/MW one-off, refundable on energisation, is materially within the bonding capacity of independent developers, and the 9-month deferral from Gate 2 acceptance provides transaction runway. We do not endorse the alternative, however, because we have not tested whether the £1.5k/MW level is calibrated to produce material attrition: if not, it would deliver cost without queue reduction. The Workgroup should test both calibration and competitive effect side by side using the comparison table at Annex 07.</p>