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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:	Andrew Enzor	
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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

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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

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***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;*
- 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 checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
		Our view has not changed from that presented in the proposal. We note some workgroup members consider the proposal could be anti-competitive against parties with smaller balance sheets. We consider the proposed delay to activation ensures that any potential	

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		<p>downside to competition is more than offset by the benefits. Lightly capitalised developers, by definition, will not construct projects (construction requires capital). The delay to activation allows time for those parties to transact, facilitating the industry to accelerate delivery of projects to reach ambitious 2030 targets.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We have updated the implementation approach following workgroup discussions, mainly pushing back the proposed timeline for first activation of the OTCF from 1 January 2026 to the first biannual securities statement after G2tWQ and the first Gated Application Window have concluded – likely 1 July 2027.</p> <p>We intend to make another small update, which would result in the OTCF being activated after both:</p> <ul style="list-style-type: none"> • All Gate 2 Offers from G2tWQ have been signed or lapsed (as per the position in the consultation) • All applicants to the first Gated Application Window have been assigned Gate 1 or Gate 2 status (not waiting for

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		<p>those offers to be signed of lapsed which is the position in the consultation)</p> <p>We think this is a sensible adjustment to avoid the risk of a delay to activation if there is a lengthy process to issue offers after the first Gated Application Window.</p> <p>The delay (relative to the Original proposal) will ensure the OTCF is based on:</p> <ul style="list-style-type: none"> • Signed offers from G2tWQ • Either: <ul style="list-style-type: none"> ◦ Signed offers from the first Gated Application Window, or if not yet signed or lapsed then, ◦ All Gate 2 Offers which NESO either expects to issue or has issued and remain open for acceptance from the first Gated Application Window (i.e. forecasting oversubscription on the assumption that all Gate 2 offers from the First Gated Application Window will be signed) <p>We don't think it would be appropriate to assume that all Gate 2 Offers from G2tWQ will be signed. This is because:</p>
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	<ul style="list-style-type: none"> • We understand anecdotally that there are parties wanting to cancel now before they receive their Gate 2 Offer. • There has been a long period since projects applied in G2tWQ so projects may have evolved and no longer be proceedable. • Projects applied into G2tWQ with significant uncertainty on when their Gate 2 Offer connection date would be. Some may decide that later connection dates make projects unattractive so decide not to sign. • Updated securities profiles (without the OTCF) may prevent some customers from signing Gate 2 Offers. • Anecdotally, we understand that customers have received connection offers with significantly inflated costs compared to their pre G2tWQ offer. <p>Hence it is likely that a meaningful proportion of Gate 2 Offers from G2tWQ will not be accepted, and so it would be wrong to forecast oversubscription on the assumption that all Gate 2 Offers from G2tWQ are accepted.</p> <p>However, projects applying into the first Gated Application Window will have much greater certainty. The TEC register will likely have been</p>
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	<p>updated before they apply, and they will be able to much better predict the connection date they will be offered and so there is lower likelihood of significant misalignment between customer expectation and the offer received. There is also likely to be a much shorter period between application and offer. So we think it is much less likely that projects receiving Gate 2 Offers from the first Gated Application Window will not accept those offers – in most cases if they did not intend to accept they would simply not apply. So we think it is appropriate to forecast oversubscription on the assumption that all Gate 2 Offers from the first Gated Application Window do go on to be signed.</p> <p>As a result, it is not necessary to hold implementation until after Gate 2 Offers from the first Gated Application Window have been signed. NESO assigning Gate 1 or Gate 2 to all applicants is enough.</p> <p>The revised first possible activation date (1 July 2027 securities statement) allows time for developers who do not intend to construct projects to transact.</p> <p>At the earliest, the OTCF will be activated in the biannual securities statements issued in July 2027, covering securities to be placed from</p>
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		October 2027 to March 2028. In practice, that means any securities under CMP470 will need to be placed 17 months from now, 14 months from Ofgem approval (assuming approved by 1 August 2026), and approximately four months from the date the last Gate 2 Offer from G2tWQ is expected to be due for signature. That allows ample time for developers to sell projects, with a period prior to receipt of a Gate 2 Offer to prepare projects for sale and sufficient time after signing a Gate 2 Offer to complete a transaction.
3	Do you have any other comments?	No
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
		Click or tap here to enter text.
5	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.

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	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
		<p>We broadly agree. We note some workgroup members consider "some degree of oversubscription might be manageable". We agree. But the 50% tolerance on oversubscription before the OTCF applies allows for a significant volume of oversubscription (~15GW of BESS based on the CP30 target). Beyond that level, we do not consider oversubscription manageable as these comments suggest.</p> <p>We would welcome further insight in particular from the TOs and NESO on the challenges oversubscription is creating.</p>
7	Do you have evidence which may support the	<input type="checkbox"/> Yes <input type="checkbox"/> No

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	Workgroup in understanding what proportion of projects in the Gate 2 queue are unviable?	Whilst not directly relating to the proportion of projects in the Gate 2 queue which are unviable, we note that over the past ~2 years, we have evaluated 78 RTB acquisition opportunities in GB (totalling 10.8 GW), with 55% ultimately ruled out due to economic or constructability constraints.
8	Do you have any comments on the Workgroups understanding of technical and economic viability of projects?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We note comments that our view of viability is only valid at FID (presented on page 15 of the consultation). We disagree. The strong implication is that projects have a single stage gate at FID, being the only point at which risks are resolved and the only point at which a developer takes a view on the viability of their project. That may reflect how some developers operate; it does not reflect how we operate and does not reflect best practice.</p> <p>Our projects are subjected to multiple internal stage gates. This ensures that we retain discipline on assessing projects, taking a regular, risk-weighted view on whether to proceed with each project. Stage gates include:</p> <ul style="list-style-type: none"> • Every change in cancellation charge liability and securities

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		<ul style="list-style-type: none"> • Decision to prepare planning submission • Planning submission • Planning granted • Ready to build (grid, land and planning) • FID <p>At each of these we will take a view on practical viability and investability.</p> <p>Alongside these, we undertake monthly updates to risk registers, our probably weighted pipeline, and at least quarterly updates to project financial models.</p> <p>Hence at every stage we have a clear view on the key risks for each project, the likelihood of it ultimately being investable at FID, and an effective probability-weighted ranking of project value across our portfolio. This is very different to the approach described in the consultation of simply waiting for FID to consider investability.</p>
9	Do you agree with the proposed activation threshold of 50% oversubscription and deactivation threshold of 25% oversubscription?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <div>Click or tap here to enter text.</div>
10		<input type="checkbox"/> Yes

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	<p>Do you think the OTCF should apply based on national or regional oversubscription?</p>	<p><input type="checkbox"/> No</p> <p>On balance we consider national is more appropriate. We recognise that applying regionally may result in an outcome which better reflects the CP30 spatial distribution. But it would create two key risks:</p> <ul style="list-style-type: none"> • The OTCF would apply to small capacity targets. Hence oversubscription in a region could be heavily influenced by a small number of large projects • The SSEP is likely to have a different regional distribution than CP30, both in terms of the definition of regions and the capacity allocated to them. The regional distribution of BESS capacity in CP30 was not based on system need and was instead based largely on where pre-existing projects were located. SSEP is likely to be more comprehensive and so could involve a significant shift in regional distribution. Applying the OTCF regionally on CP30 targets would risk significant disruption when the SSEP is implemented. Conversely, while SSEP may change the national target, it is unlikely to be a significant step change relatively to the
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		step change which could be seen in some regions if the spatial distribution is materially different to CP30
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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No The Original solution applies from OTCF activation or Gate 2 contract signature, whichever is later. This is as described in the consultation.
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
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 Click or tap here to enter text.
14	Do you agree that the OTCF should be applied to projects which co-locate an oversubscribed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.

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	technology with another technology?	
15	Do you agree that the OTCF should apply as well as the PCF?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.
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
		Click or tap here to enter text.
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
		Click or tap here to enter text.
18	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input type="checkbox"/> No
		This proposal would be a significant improvement relative to the baseline (i.e. no

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		OTCF). On balance, we think the earlier implementation of the Original solution (subject to all offers from G2tWQ and the first Gated Application Window being signed or lapsed) better reflects the need for swift resolution to the issue of oversubscription. Waiting until 2028 to implement will likely not allow sufficient time for other projects held up by BESS which go on to exit the queue to connect in time to meet CP30 targets.
19	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input type="checkbox"/> No
		<p>This proposal would be a slight improvement to relative to the baseline (i.e. no OTCF), but not as comprehensive as the Original and Alternative Request 1 for two primary reasons:</p> <ul style="list-style-type: none"> • A fixed OTCF, once paid, becomes an incentive to remain in the queue for as long as possible. The project has sunk more cost by paying the OTCF but faces no ramps in OTCF, so is incentivised to hold on for as long as possible in the hope of recouping its OTCF • The value is very low. In the context of development costs typically being

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		£5k/MW, an OTCF at £1.5k/MW is a weak signal
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