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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 usc.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 usc.team@neso.energy

Respondent details	Please enter your details	
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Phone number:	Click or tap here to enter text.	
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 type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input checked="" 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 be

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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;*

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- 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.

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

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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 type="checkbox"/> iv <input type="checkbox"/> None
		<p>The proposal improves on the current baseline. While Connections Reform and Gate 2 protections have streamlined queue entry, material oversubscription and weak exit signals remain. Strengthening these would help identify viable projects within 2030 technology limits, support more efficient network planning, improve connection times, and help to avoid unnecessary costs being passed on to consumers.</p> <p>Throughout this response we consider whether the proposal's calibration is sufficiently strong or fast enough to deliver its intended aims – namely, establishing a credible queue before key design and investment decisions are locked in. This would avoid more complex and uncertain system planning, driving higher system costs for consumer bills.</p> <p>Our views against the precise objectives are below:</p> <p>Objective (i): We are supportive. If sufficiently strong and timely, the proposal should improve the efficient discharge of the Licensee's obligations. Creating a queue that better reflects CP2030 targets.</p> <p>Objective (ii): We are supportive. If sufficiently strong and fast acting, the proposal will strengthen market signals; free up constrained resources; and enable more efficient network development.</p> <p>Objective (iii): The impact is neutral.</p> <p>Objective (iv): The proposal is neutral. However, given the multiple layers of financial mechanisms being applied to users post reform, the overall efficiency will largely rely on how simple and applicable these arrangements are to implement and administer in practice. Ensuring each mechanism has its clear and distinct role.</p>	

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2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>Despite the correct intent and direction, the proposal is unlikely to be either fast or strong enough.</p> <p>Without greater pace and strength, the core objective of Connections Reform – to create a pipeline of genuinely ‘ready and needed’ projects – will be continue to be undermined.</p> <p>Implementation is too slow</p> <p>To realise the full benefits for connecting customers and consumer bills, the proposal will be assessed against its ability to establish a credible connections queue that (a) allows network companies to design and develop connections in an efficient and coordinated manner; and (b) does so before ‘section 14’ PIA powers expire (around December 2028).</p> <p>While the proposal would rightly apply to any oversubscribed technology, its focus on Battery Energy Storage Systems is appropriate, as it is the most materially oversubscribed area today.</p> <p><u>Too slow to enable efficient investment</u></p> <p>The amendment needs to take affect quickly if it is to have meaningful impact.</p> <p>For networks, key connection design decisions are taken well ahead of energisation, including whether new substations are required and the choice of technology (e.g. AIS or GIS). These decisions are difficult to reverse without affecting delivery times or costs (and, potentially, other developers).</p> <p>Connections Reform is intended to help networks reallocate capacity, between customers, over time. To support of this, earlier signals on oversubscription can inform crucial designs at the outset. Helping to improve planning efficiency and reducing the need for potentially costly adjustments to reallocate more effectively.</p>

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	<p><u>Too slow for Planning & Infrastructure Act (PIA) powers</u></p> <p>PIA provides an important regulatory framework – intended to accelerate delivery, providing Ofgem with exceptional, time-limited powers to support progress during a period of uncertainty. For networks this helps to manage some of the risks associated with a highly oversubscribed queue – particularly the absence of early signals on which customers are likely to progress to energisation.</p> <p>However, Ofgem and DESNZ have been clear that PIA is exceptional and time-limited and based on current indications will not be exercisable beyond December 2028. Given the proposed implementation of CMP470 (from the October 2027 securities period), this leaves a window of around 14 months in which CMP470 would need to deliver meaningful reductions in oversubscription and lessen industry’s reliance on PIA being utilised.</p> <p>To put this in context, based on NGET’s transmission area, ~7 projects per year on average have terminated since the introduction of CMP192. At this rate, it would take over 10 years to remove all the (un-protected) batteries (excluding those ‘behind the meter’) contributing to oversubscription. It is important that CMP470 be designed to deliver timely and effective attrition, to avoid the need to use the PIA to introduce further changes.</p> <p>Starting signal is too low</p> <p>The proposal introduces the OTCF at £3k/MW, with staged increases to £5k, £10k, £15k, £20k and a cap of £25k. While earlier proposals set the starting level at £10k/MW, Workgroup has softened this to align with CMP192 (implemented in 2012). However, we do not consider £3k/MW to be a credible or effective starting point. It does not reflect the extent of oversubscription today, and therefore risks failing to deliver a meaningful change at the point of activation, undermining the necessary aims of this proposal.</p>
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	<p>First, £3k/MW is not likely to drive change. Our experience shows that pre-Trigger Date securities under CMP192 have not driven in non-viable projects to exit (as above, ~7 projects per year on average). This suggests starting at £3k/MW is unlikely to drive a change in behaviour, so should not be replicated.</p> <p>Second, alignment to the CMP192 pre-Trigger Date security rates is not truly reflective as these rates have not been indexed since implementation in March 2012, and had they been indexed to CPIH – the equivalent values in 2026 would be closer to £1.50/£3.00/£4.50 per kW.</p> <p>On balance, we are not persuaded that a uniform, gradual escalation approach is appropriate for technologies that are already oversubscribed such as BESS. Relying on successive increases over time for these technologies risks delaying effective intervention and weakening the credibility of the mechanism.</p> <p>This mechanism should be designed and tiered to respond proportionately to the severity of oversubscription. This could be achieved through a clear, easy to administer and transparent, formula-based approach – where the £/MW level of the OTCF at activation is tiered against the degree of oversubscription. So – where oversubscription was already excessively high – the £/MW is triggered at a proportionately higher rate to trigger effective action. Such an approach would provide transparency, consistency and predictability, while driving attrition where it is most severe today by setting more effective signal from the outset.</p> <p>The Working Group should consider if an alternative approach could more quickly determine the value of the OTCF which projects are most sensitive to. For example, Bayesian methods could be used to model developers' sensitivity to different levels of OTCF. We accept there will be pros and cons of a different approach, which we believe Workgroup and the whole of industry should explore and uncover the full extent of risks and opportunities.</p>
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3	Do you have any other comments?	<p>It is important that this proposal avoids disrupting customer projects that are self-evidently viable, explicitly those in late-stage delivery and close to energisation.</p> <p>While such projects will fall within scope, our understanding is that more mature schemes – with higher attributable and wider liabilities – will typically sit above the minimum floor and therefore should not be impacted by the change.</p> <p>In addition we note that as milestones are met, and the placed securities under the User Commitment Methodology fall (i.e. applicable percentages reduce: 100%, 42%, 10%, 0%), the OTCF floor should be benchmarked against total security amount (the Cancellation Charge), meaning the top-up does not rebind a viable developer – following a percentage reduction.</p> <p>However, to guard against unintended consequences for viable / late-stage projects, we ask that the workgroup explicitly tests and confirms this interpretation.</p> <p>Also, to prevent a repeat of challenges seen in CMP192 – the OTCF should be explicitly indexed to inflation when codified.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<div> <input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section of CMP470) </div> <div> <input checked="" type="checkbox"/> No </div> <div> N/A </div>

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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
		<p>We agree that the modification does not impact EBR Article 18 terms and conditions.</p>

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 strongly agree – with some overlooked additions.</p> <p>The proposal rightly focuses on two crucial issues:</p> <ol style="list-style-type: none"> 1. Viable users being blocked from receiving earlier connection by less viable projects being ahead of them in the queue. 2. TOs being required to assume all users are equally viable, distorting transmission investment signals. <p>We note two additional concerns.</p> <p>Late or Sporadic termination</p> <p>When projects exit the queue, Transmission Owners will rightly revisit system design, scope and programme to understand what benefits can be realised by changing their approach for other connecting customers, and consumers more generally. However, late or sporadic terminations will instead drive disruptive churn in planning, procurement and delivery.</p> <p>This reinforces our earlier concern that the proposal acts too slowly and the initial exit signal set too low.</p>

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		<p>Benefiting the "Next User"</p> <p>As stated in the proposal form – projects at early stages of development, have weak incentives to reassess their viability and will understandably take low-cost actions to keep options open and await improved conditions. However, this has wider impacts – prolonging uncertainty over which all users ultimately connect and limiting the ability of NESO and Transmission Owners to act with confidence.</p> <p>By being both slow to take affect and modest in its early impact, the proposal risks extending this period of ambiguity. It does not give sufficient time to developers of more viable projects to adjust their plans, and take advantage of new opportunities that arise. For example, a developer connecting at a new substation would need time to make changes if an option to connect at an existing extended substation became available.</p>
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7	Do you have evidence which may support the Workgroup in understanding what proportion of projects in the Gate 2 queue are unviable?	<p><input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>We cannot make a full assessment of the viability of individual Gate 2 projects. Features such as land availability and planning status are very unlikely to determine which projects are viable – instead, the proposer highlights many other project-specific factors that we believe are more likely to determine if a project will proceed.</p> <p>Credible future scenarios indicate the level of capacity the market is likely to support (i.e. where revenues might be sustainable). Oversubscription, beyond these levels, reduces project viability, as an increasing proportion of capacity is unlikely to secure sufficient returns.</p> <p>Within NGET's licence area, there is ~ 15GW of <i>protected</i> Gate 2 offered, battery storage capacity. This, combined with ~2GW already connected exceeds CP2030 aligned requirements of ~10.1GW by nearly 7GW (66%).</p> <p>In addition, there is a further ~3.5GW of <i>unprotected</i> Gate 2 Phase 1 and 31GW of unprotected Gate 2 Phase 2 BESS capacity in the queue. Taking this into account, total Gate 2 capacity exceed CP2030 requirements by</p>
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~41GW (over 400%), highlighting the scale of oversubscription to manage.

The level of oversubscription is so great that we would expect to see oversupply of BESS into 2040 and 2050, as shown in the following table showing the percentage of oversupply in Gate 2 against NESO's 2025 Future Energy Scenarios, using the scenario with greatest capacity of BESS as a comparator (Holistic Transition).

NGET BESS	Gate 2 Phase 1	Gate 2 Phase 2
Oversubscription 2040	~ 59%	~ 299%
Oversubscription 2050	~ 56%	~ 291%

All figures, those in text and the table above, presented are indicative and based on the latest available data; given the dynamic nature of the connections reform, the queue and project progression, all values are subject to change.

This demonstrates that the current queue already contains materially more capacity than required, even under high ambition net zero future energy scenarios, extending to 2050.

Without effective attrition, there is likely to be disruption to system access for strategically aligned projects and higher costs for consumer bills. This indicates the need for interventions that drive timely and proportionate reduction of oversubscribed technologies.

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>Developers are best placed to assess the technical and economic viability of their own projects.</p> <p>We do recognise the limitations of using financial commitments as a proxy for viability. Different investment and financing models can make it easier for some projects to post securities than others, so financial capacity alone may not support a diverse range of users. However, a £/MW-based approach nonetheless provides a consistent and broadly</p>

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		<p>equitable signal across all developers of different types and sizes. In practice, it helps balance differences in scale and encourages earlier reassessment of marginal projects.</p> <p>By introducing a consistent minimum commitment across any oversubscribed technology, CMP470 will require developers to bring forward technical, commercial, or locational decisions, which we believe is essential to reducing oversubscription.</p>
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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>We do not agree with the proposed activation threshold of 50% nor the deactivation threshold of 25% oversubscription.</p> <p>Our analysis indicates that, on a GB-wide basis, deactivating the mechanism once capacity falls to Clean Power 2030 targets plus 25% would still leave sufficient battery capacity in the queue to meet even the most onerous long-term decarbonisation forecasts. This suggests the proposed deactivation threshold is overly cautious, and that firmer early intervention would not risk constraining future delivery.</p>

10	Do you think the OTCF should apply based on national or regional oversubscription?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<p>We consider the OTCF should be applied on a regional basis, aligned to regional capacity quotas.</p> <p>This would provide a more targeted signal – encouraging BESS projects to locate where system need has been identified and helping to reduce oversubscription in regions where the impact on network investment (and therefore other developers) is likely to be greatest. A regional model avoids deactivating the mechanism in locations where oversubscription remains and drives undesirable outcomes.</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?	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>Yes, we agree that the OTCF should apply from implementation or Gate 2 contract signature (whichever is sooner) through to energisation. As we address throughout, the scale of oversubscription today requires an urgent and timely response. A later application risks being too slow to influence behaviour at the point where it would have most effect.</p> <p>Network studies, design decisions, and early investment commitments are already being progressed now – so the earlier we can form a credible queue, the greater the benefit to all connecting customers and consumers.</p> <p>Delaying the application of the OTCF – such as limiting it only to new Gate 2 contracts – would materially reduce the number of projects in scope, delay the formation of a credible queue, and significantly diminish the effectiveness of the mechanism.</p>
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>We agree with applying the OTCF as a securities floor. However, the proposed starting level is materially too low and not aligned with current oversubscription, particularly for BESS.</p> <p>A low starting point – combined with a gradual increase – risks delaying meaningful impact at a time when oversubscription is high and stronger signals are required. Setting the OTCF at a more proportionate level from the outset – a higher rate, reflective of the level of oversubscription – would better support timely and effective improvements in queue quality.</p>

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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 <p>We refer to earlier responses, primarily Q2 and Q12.</p>
14	Do you agree that the OTCF should be applied to projects which co-locate an oversubscribed technology with another technology?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>From a network management perspective, the OTCF should apply to co-located projects which include an oversubscribed technology.</p> <p>Oversubscription has impacts across the whole system which are not removed through local co-location or shared access arrangements. While co-location may mitigate some site-specific impacts, it does not eliminate all consequences and wider effects on network capacity, sequencing of works, or the ability to connect subsequent users.</p> <p>Applying OTCF to co-located oversubscribed technologies will help to apply a consistent test of viability, supporting earlier exit of non-viable projects and reducing unnecessary constraints on other network users.</p>

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15	Do you agree that the OTCF should apply as well as the PCF?	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>We agree that the OTCF should apply in addition to the PCF. The existing commitment mechanisms serve distinct and complementary purposes.</p> <p>The PCF is primarily designed to test individual project readiness and encourage progression to Milestone 1 in the project lifecycle. By contrast, the OTCF is intended to address system-level oversubscription, by applying a signal to all projects within an oversubscribed technology, regardless of individual readiness and their milestones, to the benefit of all connecting customers and consumers.</p> <p>While both mechanisms strengthen customer commitment signals and support improvements to queue quality, they operate at different stages and target different behaviours. In combination, they provide a more effective, and timely, framework: driving earlier exit of non-viable projects, delivering clearer signals to the market on the technologies the system needs, and supporting progression through key milestones – aligning project maturity and wider system need.</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?	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>Where a project does not proceed to energisation, and a security payment (including OTCF) is due, we expect residual funds to be returned to consumers via TNUoS.</p> <p>In this way, consumers who bear the risk of increased network costs due to oversubscription also benefit from the opportunity of reduced costs if OTCF applies.</p> <p>We would separately expect the mechanisms which currently exist and allow network companies to recover their efficiently incurred costs following the termination of a customer's project to be unchanged by CMP470.</p>

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17	Do you agree that NESO should have the option not to implement the OTCF if the activation threshold is breached?	<div> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <p>NESO should not have discretion to not implement the OTCF.</p> <p>Where a technology has reached a defined oversubscription threshold, failure to apply the OTCF would prolong the adverse impacts of oversubscription and undermine the credibility of the mechanism. Allowing discretion to implement would reintroduce uncertainty and delay, as projects may defer their response in anticipation that the OTCF may not be activated by the NESO.</p> <p>It would also create a system which is much more difficult for NESO to manage – as they would need to manage clear criteria behind their decision to trigger or not trigger – thereby going against CUSC Objective (iv) to promote “efficiency in the implementation and administration of the CUSC arrangements”.</p> <p>Were the Working Group to consider that NESO should have scope to not activate OFCF, we would welcome a deeper discussion on what workgroup believes would be suitable additional clear and transparent criteria for NESO to consider when exercising its judgement, and if any additional procedural steps would be needed. This would be essential to removing uncertainty for both networks and developers.</p>
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18	Do you agree with the proposed Alternative Request 1 solution?	<div> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <p>We do not consider the proposed delayed implementation to be appropriate.</p> <p>As addressed throughout our response, this would lead to change being too slow – as effective signals that improve on the objectives of Connections Reform and drive improved queue quality, are required as quickly as possible.</p> <p>Further deferral would be unlikely to support meaningful rationalisation of the BESS queue ahead of 2030 and would prolong the impacts of oversubscription on network planning and delivery. Leading to an additional year of delay and regret associated with not dealing quickly current and enduring levels of oversubscription.</p>
19	Do you agree with the proposed Alternative Request 1 (WACM 2?) solution?	<div> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <p>As set out throughout our response, this would lead to the change being set too low and fail to address the scale of oversubscription we see today, nor meet the aims this modification seeks to resolve.</p> <p>A fixed payment risks being insufficiently targeted and too weak to create a realistic pipeline of connections, particularly for technologies that are materially oversubscribed.</p>