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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:	Sam Aitchison	
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Phone number:	07512 662790	
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?	Mark the Objectives which you believe each solution better facilitates than the current baseline:		
		<table border="1"> <tr> <td>Original</td> <td> <input type="checkbox"/>i <input type="checkbox"/>ii <input type="checkbox"/>iii <input type="checkbox"/>iv <input checked="" type="checkbox"/>None </td> </tr> </table>	Original	<input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input checked="" type="checkbox"/> None
		Original	<input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input checked="" type="checkbox"/> None	
<p>No, the Original Proposal does not better facilitate any of the Applicable Objectives.</p> <p>Objective (i): The Original Proposal introduces a disproportionate administrative burden on NESO through the requirement to manage securities that are not directly linked to incurred costs. This creates inefficiencies in operational processes, particularly where projects are cancelled and funds must be returned to consumers via complex reconciliation mechanisms. Such arrangements add unnecessary administrative overhead without delivering commensurate system or consumer benefit, and therefore do not support the efficient discharge of the Licensee's obligations.</p> <p>Objective (ii): The OTCF risks distorting competition by disproportionately favouring larger developers. These parties are typically better positioned to secure the required funding due to diversified portfolios, established financing relationships, and the ability to spread risk across multiple projects and technologies.</p>				

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	<p>In contrast, smaller developers do not have this luxury. So, whilst a project may still be viable and the developer may be able to get access to funding, the OTCF will restrict their ability to do so.</p> <p>This imbalance reduces competitive tension within the market and risks excluding projects that may be superior from a technical or economic perspective. A requirement of £25k/MW to remain in the queue—particularly when held over long durations—creates a structural disadvantage for smaller participants and is therefore not conducive to facilitating effective competition.</p> <p>Objective (iii): While the Original Proposal does not appear to directly conflict with specific provisions of the Electricity Regulation or related decisions, its potential to reduce market accessibility and competition may be indirectly misaligned with broader regulatory principles that promote open and competitive energy markets. As such, this objective is not clearly advanced by the proposal.</p> <p>Objective (iv): The proposal introduces additional complexity into Section 15 of the CUSC, particularly when considered alongside recent modifications such as CMP448. This added complexity risks reducing transparency, increasing administrative burden, and making</p>
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		<p>the arrangements more difficult to implement and manage effectively. As a result, the proposal does not promote efficiency in the implementation or administration of the CUSC arrangements.</p> <p>Overall Position</p> <p>It is recognised that intervention is required to address the current level of queue oversubscription, particularly in relation to BESS projects. However, this could be achieved by other means (e.g. changes to existing methodologies), which would better facilitate the Applicable Objectives. A financial instrument seems to be the overriding solution thus far. Therefore, a lower level of financial commitment could better alleviate the issues described above around restricting competition.</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Within the Original Proposal the implementation date is stated to be 1st January 2027. However, as part of the workgroups I'm aware the Proposer is considering moving this to the 1st June 2027. I believe this to be a much more appropriate implementation approach, as it simplifies the definition of oversubscription, with the G2TWQ process due to be fully complete by this time.</p>

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		Implementation as part of Section 15 of the CUSC is appropriate for a further financial instrument to be implemented.
3	Do you have any other comments?	Click or tap here to enter text.
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
		Not at this stage, although I reserve the right to until the Code Administrator Consultation.
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
		<p>As described above, a financial instrument—particularly at the level proposed within the Original Proposal—heavily restricts competition within the market.</p> <p>If Deactivation occurs at energisation, the requirement to maintain this financial commitment through to that stage means that the cost of borrowing post-FID will have a significant impact on projects bidding into the balancing markets.</p>

Specific Workgroup Consultation questions

6	Do you agree with the workgroup's	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
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	understanding of the issues which oversubscription creates?	<p>Oversubscription is an issue that does need to be addressed to prevent schemes for other technologies from being delayed by projects that are unlikely to be required or ultimately built. This reflects a failure of connections reform to achieve its intended effect.</p> <p>Action is therefore necessary to resolve this issue and avoid inefficient network overdesign. However, TOs will already be required to design the network to accommodate this oversubscription within the first window, meaning the Original Proposal does not address the most significant impacts of the problem.</p>
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 type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Not at this stage. This should be an exercise done by NESO who has visibility of all projects. NESO could perform a greater fact-finding exercise speaking to all developers about Gate 2 schemes to ascertain viability and plans.</p>
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>The market should be assumed to be a rational entity and therefore will continuously assess a project's economic and technical viability. However, the lengthy delay in receiving Gate 2 offers has restricted the market's ability to do so.</p>

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		<p>Gate 2 offers may highlight significant technical requirements associated with a connection, including high costs that extend beyond any OTCF. These factors will then be incorporated into developers' viability assessments. It is therefore my view that a large number of projects will either choose not to accept their Gate 2 offer, or will, within a reasonable timeframe thereafter, elect to remove themselves from the queue.</p>
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>The level of deactivation within the Original Proposal, or any Alternative, is a key consideration. Being sufficiently high in the queue to fall within the limits set out in the CP30 Action Plan does not guarantee that a project will ultimately progress.</p> <p>As such, a degree of attrition should be assumed. Setting a deactivation level above the CP30 limits is therefore a sensible approach, as it better reflects the likelihood that not all projects within those thresholds will proceed.</p> <p>The activation threshold of 50% is also sensible, although perhaps could sit a little lower at 40%.</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>Oversubscription is not uniform across the network, and projects in less constrained areas should not be</p>

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		<p>disproportionately impacted. Whilst a regional or zonal OTCF would be more complex than the Original Proposal, it is likely to have a more effective impact on addressing oversubscription.</p> <p>Such an approach would better align incentives, allowing developers to focus investment on projects in areas where capacity is most needed, rather than applying a uniform burden across all locations.</p>
11	Do you agree with the proposed timing of the OTCF from implementation or Gate 2 contract signature (whichever is sooner) up to energisation?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>I agree that implementation should apply consistently across all projects and should only take effect once the G2TWQ process has fully concluded. This would allow NESO to clearly define the level of oversubscription across the entire queue. Implementation timing should also be aligned for both directly connected and embedded projects.</p> <p>Once a project has reached FID, it is highly unlikely to fall away. Introducing a financial instrument post-FID (particularly at the level proposed) would significantly restrict the ability of projects to reach FID in the first place, and/or do so in a timely manner. It would also increase the cost of the projects borrowing through the delivery phase, therefore, increasing consumer bills.</p> <p>It is therefore my view that the OTCF should be disapplied to projects that have reached full FID.</p>

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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>Having the OTCF apply as a liability rather than a security should have the same impact in enabling the market to reassess a project's financial viability. Liabilities are factored into viability assessments just as much as, if not more than, securities.</p> <p>Applying the OTCF as a liability would also allow smaller developers to participate without placing an overly onerous burden on their balance sheets. This would therefore better support competition within the market.</p>
13	Do you agree with the level of the OTCF, including minimum and maximum levels if changing over time?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>The level of the OTCF is my primary concern with the Original Proposal. If projects are required to post £25k/MW, this would require the market to secure approximately £2.25bn in additional funding. This will quite clearly have an impact on consumer bills.</p> <p>This requirement also creates a significant divide between those able to meet the level of security and those who cannot. In practice, it will disproportionately favour larger developers with stronger balance sheets and diversified portfolios across multiple technologies. These parties are better able to hedge exposure, whereas smaller, more specialist, developers are unable to do so. This risks reducing overall competition within the market.</p>

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		<p>In addition, the proposed level does not adequately reflect differences in connection dates or the duration for which security must be held. This duration has a direct cost implication. A uniform approach is therefore not appropriate and instead, a structure that reflects a project's connection date and/or target FID date better reflect these differences.</p> <p>One potential alternative that avoids the need for a significant upfront cost of borrowing associated with the OTCF would be to introduce an exponential ramping mechanism. Under this approach, projects closer to FID would face a significantly higher OTCF, encouraging greater scrutiny and discipline at the appropriate stage of project development, while reducing unnecessary financial burden at earlier stages.</p>
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 checked="" type="checkbox"/> No</p> <p>Co-located projects represent a highly efficient use of network capacity and should therefore be prioritised. Where both technologies are within Gate 2, the inclusion of BESS within a co-located connection is likely to have a limited additional impact on the network.</p> <p>However, applying an OTCF to co-located projects risks unintended consequences. It may adversely impact the viability of the non-oversubscribed technology, rather than solely addressing the oversubscribed element. This risk is particularly acute where the inclusion of the oversubscribed</p>

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		technology is critical to the overall viability of the project, potentially undermining otherwise efficient and well-designed co-located developments.
15	Do you agree that the OTCF should apply as well as the PCF?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>This approach would result in two separate mechanisms by which NESO would be charging significantly above and beyond the costs incurred by the TO to deliver the project. Whilst there may be mechanisms to mitigate this, it is my view that this would risk placing NESO in breach of its licence obligations.</p> <p>The PCF was originally intended as a mechanism to address oversubscription and to discourage non-viable projects from remaining in the queue. The OTCF is intended to build on that objective by addressing the same underlying issue more effectively. It should therefore not operate in a way that duplicates or compounds existing charging signals but rather refine and improve their effectiveness.</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</p> <p><input type="checkbox"/> No</p> <p>Whilst this is currently the only mechanism in which NESO are able to justify charging the OTCF without being in breach of their licence conditions, this seems like it could be an overly burdensome accounting exercise that would slow NESO's financial</p>

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		teams down significantly. If a better solution could be found I suggest it is.
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>This allows some discretion from NESO, so that it does flick on if only project is causing the activation. The sentiment of the Original Proposal is for a significant oversubscription, which to me means more than one project.</p>
18	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Whilst it is my belief that the market will resolve itself without a financial instrument. If a financial instrument is felt to be necessary the timing of this should not be delayed more than absolutely necessary. The aim of the Original Proposal is to accelerate the self-selection out of the queue for. This would not be achieved if the implementation is delayed by 12 months.</p>
19	Do you agree with the proposed Alternative Request 2 solution?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>A fixed £1.5k/MW fee, while a more acceptable level of OTCF, does not in itself create the appropriate incentive structure. Some form of ramping mechanism should be retained within the Proposal so that, as projects progress, they are increasingly</p>

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		<p>required to scrutinise the viability of their projects in greater detail.</p> <p>In addition, the proposed implementation timing does not allow for a clear definition of oversubscription. It assumes that all projects will accept their Gate 2 offers, which is not expected to be the case.</p> <p>It is therefore possible that the number of accepted Gate 2 offers may fall below the activation threshold, in which case the mechanism could be triggered and immediately deactivated, highlighting a potential weakness in the proposed design</p>
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