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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](mailto: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](mailto:cusc.team@neso.energy)

Respondent details	Please enter your details	
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<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

I wish my response to be:

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(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration)

### For reference the Applicable CUSC (Connection charging) Objectives are:

*Means the Use of System Charging Objectives, as if references therein to the Use of System Charging Methodology were to the Connection Charging Methodology and in addition, the objective (where consistent with the other objectives) of facilitating competition in the carrying out of works for connection to the National Electricity Transmission System.*

### For reference the Applicable CUSC (non-charging) Objectives are:

- i. *The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence\*;*
- ii. *Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
- iii. *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*\*; and*
- iv. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

\* See Electricity System Operator Licence

\*\*The Electricity Regulation referred to in objective (iii) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

### For reference, (for consultation questions 5) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

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- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) *enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) *integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

### What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

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

Standard Workgroup Consultation questions				
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives versus the current baseline?	<p>Mark the Objectives which you believe each solution better facilitates than the current baseline:</p> <table border="1"> <tr> <td>Original</td> <td> <input type="checkbox"/>i   <input checked="" type="checkbox"/>ii   <input type="checkbox"/>iii   <input checked="" type="checkbox"/>iv  <input type="checkbox"/>None </td> </tr> </table> <p>No. The proposal in its current form creates a material risk of distorting competition if the fee level is set too high or applied too early. A mechanism that forces out viable but less well-capitalised projects would not facilitate effective competition; it would instead favour larger balance sheets over better projects contrary to Objective (ii). Introduction of CMP470 AFTER all Gate 2 offers does will NOT reduce the number of Connection Offers made by NESO, and the agreed TMO4+ methodologies will naturally attrite the queue by end Q2 2027.</p>	Original	<input type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
Original	<input type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None			
2	Do you support the proposed implementation approach?	<p> <input type="checkbox"/>Yes  <input checked="" type="checkbox"/>No </p> <p>No. The implementation approach appears too early and too rigid relative to the present level of uncertainty. The consultation itself notes that the queue is still evolving, that natural attrition is expected following Gate 2 offers, and that further policy and methodology developments may affect the degree of oversubscription, including possible changes relating to future protection criteria and wider strategic planning.</p> <p>A more proportionate approach would delay implementation until after <b>all</b> of the Gate 2 offers have been signed or lapsed and sufficient evidence exists on actual rather than forecast oversubscription, project acceptance behaviour and the likely impact of other reforms. That would still preserve the core objective of avoiding unnecessary network design for projects unlikely to</p>		

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		proceed, while reducing the risk of premature and anti-competitive outcomes.
3	Do you have any other comments?	<p>The consultation identifies a real problem, but the proposed solution risks using financial strength as a proxy for project quality. In practice, project viability is not binary and many otherwise viable projects carry unresolved development risks for a period before final investment decision. A high OTCF could therefore remove projects that are commercially credible but not yet in a position to tie up significant additional security.</p> <p>The response should focus on proportionality, evidence and targeting. In particular, the Workgroup should ensure that any final design: (i) is based on signed Gate 2 positions and demonstrated oversubscription, (ii) avoids over-correction and barriers to entry, (iii) does not duplicate existing incentives under the PCF and broader securities framework without clear evidence of added value, and (iv) is sufficiently simple and transparent that developers, investors and lenders can understand and price it.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section of <a href="#">CMP470</a>)</p> <p><input checked="" type="checkbox"/> No</p> <p>No separate Alternative Request is proposed through this response. However, this response supports further consideration of a more proportionate variant of the proposal, including delayed implementation, lower and/or capped security levels, and stronger targeting to avoid unfair impacts on viable projects and smaller market participants.</p>
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?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes. CMP470 concerns connection queue management, securities and cancellation-related incentives rather than the detailed terms and conditions for balancing services under EBR Article 18. The proposal therefore does not appear to engage the substance of balancing market participation rules.</p>

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		That said, if the effect of the modification were materially to disadvantage storage relative to other technologies in a manner that indirectly affected balancing market participation, the Workgroup should ensure that this is considered as a consequential policy issue, even if not an Article 18 drafting issue.
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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>Yes. The consultation correctly identifies that substantial oversubscription, particularly in BESS, weakens the core premise of Connections Reform by reducing confidence over which Gate 2 projects will ultimately connect.</p> <p>The issue is not simply "too many projects" in the abstract. The more precise problem is uncertainty over which projects are genuinely investable within the relevant planning horizon and therefore worth planning around. Any remedy should therefore aim at better signalling and screening rather than merely imposing cost on all projects within an oversubscribed technology class.</p>
7	Do you have evidence which may support the Workgroup in understanding what proportion of projects in the Gate 2 queue are unviable?	<input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No
		<p>No project-specific evidence is available through this response on the proportion of the Gate 2 queue that is unviable. Nor is evidence is given in the proposal to substantiate what proportion of projects are "unviable". Therefore the proposal is unable to justify what effect it will have on the project queue beyond damaging investor confidence and introducing a retrospective, anti-competitive and potentially legally challengeable change.</p>
8		<input checked="" type="checkbox"/> Yes

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	Do you have any comments on the Workgroups understanding of technical and economic viability of projects?	<input type="checkbox"/> No  <p>Yes. The consultation is right to recognise that viability is not binary and that planning consent is not the same as readiness to construct or readiness to take FID. That is an important distinction. A project can satisfy formal Gate 2 criteria yet still face unresolved commercial, land, engineering or financing issues that make timely delivery uncertain.</p> <p>The response would suggest that the Workgroup use the language of “investability” or “likelihood of timely progression” rather than “viability” alone. That better reflects market reality and reduces the risk that the policy is framed as if all projects not reaching FID are defective, when in fact some are viable but immature, while others are simply uneconomic at current or expected market conditions.</p>
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>No, not as currently proposed. A deadband between activation and deactivation is sensible in principle because it reduces the risk of repeated switching on and off. However, the proposed thresholds appear insufficiently evidenced in the consultation and may still permit a blunt intervention without enough confidence that the trigger level corresponds to actual network planning harm or that the deactivation threshold avoids over-correction.</p> <p>If the mechanism is retained, thresholds should be supported by clearer evidence on when oversubscription begins to drive material redesign, delivery delay or consumer cost. Consideration should also be given to whether the trigger should be complemented by qualitative conditions, such as evidence that existing methodologies are not working quickly enough.</p>
10		<input type="checkbox"/> Yes

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	Do you think the OTCF should apply based on national or regional oversubscription?	<input type="checkbox"/> No – Not a Yes/No question: we believe National is preferable to regional.  If an OTCF is introduced, it should be based on national rather than regional oversubscription. Regional application appears likely to be more volatile, more complex and more prone to arbitrary outcomes, particularly where regional targets and project volumes are small and a small number of projects can move a region sharply between under- and oversubscription.
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  No. Applying the OTCF from implementation or signature, whichever is sooner, risks catching projects before there is enough evidence on actual queue attrition and before developers have had a fair opportunity to assess evolving market and policy conditions. It may also penalise projects with long development timelines that are still credible but not yet financeable on the proposed timetable.  A later trigger would be preferable, for example after a defined period following Gate 2 acceptance, and after all Gate 2 offers have been accepted or otherwise. The aim should be to influence decisions before major network spend is irreversibly committed, but not so early that the mechanism becomes a blunt barrier to viable development.
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No  No. A securities floor is simple, but simplicity alone does not make it proportionate. Applying a broad floor across an oversubscribed technology risks weak alignment between the charge and the actual cost or risk created by an individual project. It may also bear especially heavily on projects whose existing securities are low for legitimate reasons rather than because they are weak projects.



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		If a financial mechanism is adopted, it should better reflect timing, actual contribution to network uncertainty, and the interaction with existing securities and cancellation charges. A more tailored or capped formulation would be preferable to an inflexible floor.
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>No. The proposed levels, particularly the upper end, appear too high and risk becoming exclusionary rather than disciplinary. A fee of that scale could force exit or distress sales by smaller or less well-capitalised developers even where projects are fundamentally credible, thereby reducing competition without necessarily improving queue quality.</p> <p>If the Workgroup proceeds with a fee-based mechanism, it should materially reduce the level, consider a project-level cap, and test whether a lower amount would achieve the intended attrition effect without creating unnecessary anti-competitive harm.</p>
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>No, not automatically. Co-located projects can have materially different network effects from stand-alone projects, and the consultation itself notes the importance of avoiding disproportionate treatment where the co-located element does not trigger additional attributable works or materially worsen queue impacts.</p> <p>At minimum, any application to co-located schemes should be subject to a clear exemption or adjustment where the oversubscribed technology does not create additional network burden. Otherwise the proposal risks discouraging efficient hybridisation and innovation.</p>
15		<input type="checkbox"/> Yes

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	Do you agree that the OTCF should apply as well as the PCF?	<input checked="" type="checkbox"/> No  No, at least not without much stronger justification. The consultation should show more clearly why the existing PCF, user commitments and cancellation charge framework are insufficient.
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  Yes, if an OTCF is introduced and retained funds arise, returning them to consumers via TNUoS is preferable to allowing them to sit without a clear policy destination. That is the cleanest route if the rationale for the mechanism is that it protects consumers and the system from the consequences of oversubscription.  However, this should not be treated as a justification for setting the fee too high. The primary design objective should remain behavioural signalling and queue discipline, not revenue raising.
17	Do you agree that NESO should have the option not to implement the OTCF if the activation threshold is breached?	<input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No  No. If the methodology establishes a trigger, stakeholders should be able to understand in advance when and how it will apply. A broad discretion not to implement after the threshold is reached risks undermining predictability, weakening investment signals and creating concerns about transparency and consistency.  If flexibility is needed, it should be tightly framed through objective criteria, consultation and clear governance rather than an open-ended discretion. Predictability matters particularly where securities and financing decisions are affected.
18		<input checked="" type="checkbox"/> Yes

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	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> No  <p>Yes, insofar as Alternative Request 1 moves in a more proportionate direction by delaying implementation. Allowing additional time after Gate 2 offers for natural attrition, market transactions and policy clarity would better align the intervention with actual project behaviour and reduce the risk of premature exits by viable projects.</p> <p>Although a delayed approach does not in itself resolve concerns about fee structure and level, it is preferable to the current proposal because it gives the market a better opportunity to self-correct before stronger intervention is imposed.</p>
19	Do you agree with the proposed Alternative Request 1 solution?	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No  <p>On balance, yes, as a simpler and potentially more proportionate alternative than the original proposal, but only if the amount and timing are carefully calibrated. A fixed one-off refundable security is easier to understand and administer than a fluctuating securities floor, and refund on energisation helps preserve the distinction between signalling seriousness and imposing a permanent penalty.</p> <p>However, the level must still be tested carefully. If set too low it may do little; if set too high it could replicate the same competition concerns as the original proposal. The advantage of this alternative is therefore simplicity, not immunity from calibration risk.</p>