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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:	Henry Easterbrook	
Company name:	Quantail	
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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 type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input checked="" 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

**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

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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 type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input type="checkbox"/> None
		<p>Yes — the Original Proposal better facilitates Applicable Objectives (i), (ii) and (iv).</p> <p>Rationale, evidence-based:</p> <p>Quantail has conducted a comprehensive analysis of all 533 NGED Gate 2 projects (19.2 GW total capacity), combining four data layers: NGED Reform Outcomes, NGED Embedded Capacity Register, DESNZ Renewable Energy Planning Database, Companies House SPV signals, and our own engine-based curtailment assessment. We find that approximately 17% of NGED Gate 2 capacity (3.5 GW)</p>	

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		<p>carries adverse signals indicating projects are unlikely to proceed (refused planning, dissolved holding SPV, severe modelled curtailment with no debt commitment), and a further 24% (4.7 GW) is invisible to the standard public-data scrutiny that any due-diligence process would apply. Together, 42% of NGED Gate 2 capacity is either provably struggling or untraceable.</p> <p>On objective (i) — efficient discharge of NESO's licence obligations: the OTCF would directly accelerate exit of speculative positions, materially improving NESO's queue management efficiency.</p> <p>On objective (ii) — facilitating effective competition: dead and dormant queue positions impose externalities on credible projects sitting downstream, by holding LIFO positions that would otherwise improve. Removing speculative entries restores competitive pressure to the projects that are genuinely developing.</p> <p>On objective (iv) — promoting efficiency in CUSC administration: a financial commitment mechanism is a more proportionate and predictable tool than ad-hoc audit interventions.</p> <p>We do not consider objective (iii) materially impacted.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We support the broad implementation approach. Three caveats worth noting:</p> <ul style="list-style-type: none"> • Activation and deactivation thresholds should be calibrated to GSP-level oversubscription, not national or licence-area-level averages. Our analysis shows oversubscription is highly localised — within an apparently moderately-stacked licence area, individual GSPs may be heavily oversubscribed while others have meaningful headroom. • Timing should align with project-level financial-decision points. Applying the OTCF too early risks penalising genuinely-developing projects that have not yet reached financial close; applying it too late captures projects after the decision-making window.

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		The level of fee should reflect the actual external cost imposed by holding a queue position (additional reinforcement studies, distorted capacity planning, suppressed LIFO position for downstream projects) rather than a notional balance.
3	Do you have any other comments?	<p>We submit our analysis as evidence on the practical scale of the issue this proposal is intended to address. The headline finding from our analysis of NGED Gate 2: of the 19.2 GW headline capacity, only approximately 5 GW (27% by capacity) shows clear public evidence of proceeding — defined as the combination of planning consent, an active SPV, secured commercial signals (e.g. registered charges), and acceptable modelled curtailment exposure. The remaining 14 GW divides between projects with adverse signals and projects that simply do not appear in any of the public datasets we'd expect to find a real, developing project in.</p> <p>This implies the queue oversubscription problem is materially worse at the project-quality level than a simple capacity-versus-headroom comparison would suggest. The mechanism this consultation proposes is appropriate to the scale of the problem we observe. It is also, notably, the more proportionate intervention compared to alternatives such as mass queue audits or contract revocations — which would impose disproportionate costs on legitimate projects that happen to be in commercially-fragile periods.</p> <p>Detailed methodology and full findings are published in our long-form analysis: https://www.linkedin.com/feed/update/urn:li:activity:7455996781076705280/ We can provide the underlying dataset (anonymised at the project level) to the workgroup on request.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the	<div> <input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section of CMP470) <input checked="" type="checkbox"/> No </div> <div> Click or tap here to enter text. </div>

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	Workgroup to consider?	
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>Yes. The OTCF concerns connection-related charging under the CUSC and does not affect balancing services, balancing market access, or the EBR Article 18 terms and conditions. The mechanism does not introduce barriers to participation in balancing markets and does not discriminate between balancing service providers based on technology beyond the network-connection-related criteria already in place.</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>Yes. Our analysis directly evidences each of the issues the workgroup identifies. We would add a fifth issue worth flagging:</p> <p>Information asymmetry. The absence of strong commitment signals from individual queue holders means market participants with proprietary intelligence</p>
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		on individual project viability outperform those without it. This raises the rents available to better-resourced developers and investors at the expense of smaller participants, and impedes price discovery in the M&A market for development pipelines. A commitment-fee mechanism would partly offset this by surfacing more reliable signals of which queue positions are genuinely developing.
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</p> <p><input type="checkbox"/> No</p> <p>Yes — direct, primary, public-data-derived evidence from a comprehensive analysis of all 533 NGED Gate 2 projects (19.2 GW).</p> <p>Methodology summary: we cross-reference four independent data layers for each Gate 2 project — NGED Reform Outcomes, NGED Embedded Capacity Register (April 2026 vintage), DESNZ Renewable Energy Planning Database (Q4 2025), and Companies House SPV signals — and combine the result with our own curtailment engine output. The engine uses NGED-published Pre-Event Limits, sensitivity factors, baseline branch loading, LIFO queue ordering and the NGED Generic Generator Profiles dataset. Methodology is reproducible end-to-end from publicly-available data.</p> <p>Headline findings, by proceedability tier:</p> <ul style="list-style-type: none"> • GREEN — clear evidence of proceeding (planning consent + active SPV + commercial signals + acceptable curtailment): 137 projects, 5,087 MW, 27% by capacity • AMBER — mixed signals: 185 projects, 5,910 MW, 31% by capacity • GREY — invisible to standard public-data scrutiny (no SPV trace, no planning record, no Companies

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		<p>House activity): 123 projects, 4,679 MW, 24% by capacity</p> <ul style="list-style-type: none"> • RED — adverse signals (refused/abandoned planning, dissolved SPV, severe curtailment with no debt commitment): 88 projects, 3,482 MW, 18% by capacity <p>Combined RED + GREY accounts for 42% of NGED Gate 2 capacity — projects that are either provably struggling or untraceable. The remaining capacity divides between durably-developing projects (GREEN, ~27%) and projects in genuinely uncertain territory (AMBER, ~31%).</p> <p>Specific findings the workgroup may wish to note:</p> <ul style="list-style-type: none"> • Nine of 533 SPVs registered against Gate 2 queue positions are flagged as dissolved or in liquidation at Companies House. A subset of these projects appears in DESNZ REPD as 'Operational' or 'Awaiting Construction' — i.e. the project is on file but the holding entity legally does not exist. • Phase 2 RED-flagged projects are predominantly commercial absences (dormant SPVs, no planning record, no recent Companies House filings), not planning failures. Reform is filtering effectively but the dropouts persist in the queue without a formal removal mechanism. • The modelled curtailment distribution is materially bimodal — most projects show low or manageable curtailment in our base-case model (i.e. front-of-queue or with sufficient local headroom), a smaller cohort (around one in seven) shows severe curtailment of 50% or higher, and the moderately-curtailed middle band is conspicuously thin. This means queue-position shifts following any audit can tip projects abruptly between viability bands — attrition will not be evenly distributed across the queue.
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		<ul style="list-style-type: none"> Geographic concentration: the top 10 GSPs account for ~40% of NGED Gate 2 capacity. Within these top GSPs, the proceedability mix varies — RED concentrations of 20%+ at some (notably the most heavily-stacked locations), suggesting attrition will be both significant in volume and highly localised. <p>Important caveats: our base-case curtailment model operates under intact running arrangements and excludes voltage constraints, ANM dynamics, abnormal running, and other operational factors that real projects routinely encounter — so a project showing low base-case modelled curtailment can still face material operational curtailment from causes outside the engine's scope. The bimodal pattern reflects relative risk under published-PEL assumptions; absolute curtailment in operation will be higher than the engine's base case for many projects.</p> <p>We can supply the workgroup with the underlying dataset (project-level, anonymised) on request. Full methodology and findings are documented in our public long-form analysis (link provided on request).</p>
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>Two specific points where our data adds nuance to viability assessment:</p> <p>1. Curtailment risk is bimodal in NGED Gate 2, not continuously distributed.</p> <p>Conventional viability assessment applies a continuous curtailment haircut — e.g. 12-15% blended portfolio assumptions. Our analysis shows curtailment outcomes in NGED Gate 2 are materially bimodal in the engine's base case: a majority of projects model to</p>

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	<p>low or manageable curtailment under the published-PEL view (front-of-queue or with sufficient local headroom), a smaller cohort (around one in seven) models to severe curtailment of 50% or higher, and the moderately-curtailed middle band is conspicuously thin. Approaches that assume a smooth distribution will systematically misprice the tails. Viability assessment should treat curtailment risk as conditional on queue position at the relevant GSP, rather than applying uniform discounts.</p> <p>We note that the engine's base case excludes voltage constraints, ANM dynamics, abnormal running and other operational factors that real projects encounter — so absolute curtailment in operation will be higher than the engine's base case for many projects. The bimodal shape, however, holds in the relative-risk sense even when those operational factors are layered on, because they affect both ends of the distribution.</p> <p>2. Distribution-network curtailment is more revenue-impacting for BESS than headline-curtailment intuition predicts.</p> <p>Across all 158 NGED Gate 2 BESS projects (7.4 GW), we measure capacity-weighted energy curtailment of 25.3% and revenue-weighted curtailment of 23.3% — a ratio of 0.92, meaning revenue impact tracks energy impact almost 1:1. This contrasts with the wholesale-curtailment intuition (broadly held in the BESS investor community) that BESS revenue impact should be a small fraction of energy impact, because curtailment falls in low-price hours when batteries are not exporting profitably. That intuition is correct for wholesale-driven curtailment; it is wrong for distribution-network-driven curtailment, which is what NGED Gate 2 BESS is overwhelmingly exposed to.</p> <p>The implication for economic viability assessment: BESS revenue projections in distribution-constrained</p>
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		<p>Gate 2 positions should be calibrated against ~1:1 energy-to-revenue translation, not the conventional ~0.4-0.5x heuristic. The cost of capital implications are material — revenue volatility for distribution-curtailed BESS is approximately twice what spread-seeking-asset valuation models typically assume.</p> <p>Full underlying methodology, including production-volume weighting against NGED's own published Generic Generator Profiles dataset, is available in our public methodology documentation.</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 thresholds are reasonable starting points but the binding dynamic in our data is GSP-level, not national or licence-area-level.</p> <p>Across NGED's 52 GSPs in the Gate 2 queue, total capacity ranges from a few hundred MW to over 1.25 GW per substation. The top 10 GSPs account for ~40% of total queue capacity. By the time a licence area is 50% oversubscribed (the proposed activation threshold), individual GSPs within it can be 200-300% oversubscribed, while smaller GSPs within the same area may have meaningful headroom.</p> <p>Our recommendation:</p> <ul style="list-style-type: none"> • Calibrate thresholds at GSP level for distribution-connected technologies, not licence-area or national. • Adjust thresholds for the proceed-ability profile of the existing queue — a queue with 50% oversubscription but 80% credible projects is materially different from one with 50% oversubscription and 30% credible projects. The

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		<p>fee should respond to oversubscription pressure, not nominal MW.</p> <p>Provide for periodic recalibration as queue-audit feedback emerges. Initial thresholds set today should not be permanent without review.</p>
10	Do you think the OTCF should apply based on national or regional oversubscription?	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Neither pure national nor pure regional (licence-area) is appropriate. The mechanism that drives queue oversubscription is local to GSP-level network constraints, not regional capacity totals.</p> <p>Our analysis of the 52 GSPs in NGED Gate 2 shows substantial within-area heterogeneity. The top 10 GSPs by Gate 2 capacity account for ~40% of total queue. National-level thresholds would miss this entirely; regional licence-area thresholds (e.g. by DNO) are too coarse to reflect the actual constraint dynamics.</p> <p>We recommend: GSP-level calibration as the primary mechanism, with GSP-cluster aggregation where shared infrastructure justifies it (NGED's published Generic Generator Profiles already group some GSPs into clusters, providing a reasonable framework). Where GSP-level data is insufficient to support reliable threshold calculation, a regional fallback is appropriate but should be the exception, not the rule.</p>
11	Do you agree with the proposed timing of the OTCF from implementation or Gate 2 contract signature (whichever	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We support the proposed timing in principle, with the observation that for projects that already hold Gate 2</p>

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	is sooner) up to energisation?	<p>offers from earlier outcomes, applying the OTCF from implementation creates a level playing field but may capture some projects that have already invested significantly in pre-development on the basis of their offer terms.</p> <p>Recommendation: a transition grace period of 3-6 months for projects already holding Gate 2 offers at implementation. This allows existing offer-holders to assess the economic viability of their projects under the new fee regime before the OTCF binds, without unduly disadvantaging them relative to new applicants.</p>
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes. Applying the OTCF as a securities floor is administratively simpler than a parallel fee structure and aligns with the broader securities framework already in place. The mechanism should ensure that the floor reflects the actual external cost imposed by holding a speculative position — including the cost to other queue participants of distorted LIFO ordering and the cost to consumers of network reinforcement decisions made on inflated capacity assumptions.</p>
13	Do you agree with the level of the OTCF, including minimum and maximum levels if changing over time?	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Without specific quantitative analysis of the proposed level, we cannot directly comment on whether the level is appropriate. In principle:</p> <ul style="list-style-type: none"> • The level should be high enough to materially deter speculative entries — i.e. comparable to or greater than the cost of taking the underlying

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		<p>position privately (e.g. through an option fee on the land, registered charge against the SPV, or equivalent commercial commitment).</p> <ul style="list-style-type: none"> • The level should not be so high as to deter genuinely-developing projects in early stages, where pre-development capital is constrained. • Escalation over time is a useful design feature if the queue does not naturally clear oversubscription within the expected window. We support a graduated structure that increases with project age in queue. <p>Annual review and recalibration would be appropriate for the first 2-3 years of operation.</p>
14	Do you agree that the OTCF should be applied to projects which co-locate an oversubscribed technology with another technology?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes — but the OTCF should be applied proportionally to the oversubscribed-technology component of a co-located project, not to the full project capacity. Co-located solar+BESS, BESS+wind, or hybrid technology projects are an increasingly important pathway for capital-efficient deployment. Penalising co-location by applying OTCF to the full project capacity would disincentivise a model that has independent network and economic benefits (better utilisation of grid connections, smoother dispatch profiles). The cleaner approach is a proportional fee on the oversubscribed-technology component only.</p>
15	Do you agree that the OTCF should apply as well as the PCF?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

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		Yes. The OTCF addresses a distinct problem from the PCF and the two should layer rather than substitute. The PCF establishes a baseline incentive for queue progress applicable to all projects; the OTCF sharpens that incentive specifically where oversubscription creates the largest externalities. Layering them ensures appropriate signalling without administrative duplication.
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 <p>Yes. Returning OTCF funds via TNUoS distributes the value of attrition equitably across consumers, who ultimately bear the cost of network reinforcement decisions made on the basis of nominal queue capacity. It also avoids any incentive for NESO to retain or 'harvest' OTCF revenue, which would create a problematic principal-agent dynamic. Returning to consumers via TNUoS is the right default.</p>
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>We have reservations. While operational discretion has value, a purely discretionary mechanism reduces predictability for developers and weakens the price signal the OTCF is intended to provide.</p> <p>If a discretionary option is retained, we'd recommend it is bounded by:</p>

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		<ul style="list-style-type: none"> • A requirement for transparent, published reasoning when the discretion is exercised — i.e. NESO must explain why it has chosen not to implement. • A backstop time period (e.g. 6-12 months) after which the OTCF activates regardless, unless a formal alternative mitigation has been put in place. • Industry consultation before exercise of the discretion in any given case, to allow stakeholder input. <p>An unbounded discretion creates regulatory uncertainty and undermines the developer behavioural responses the OTCF is designed to incentivise.</p>
18	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input type="checkbox"/> No
		Not reviewed
19	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input type="checkbox"/> No
		Not reviewed