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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:	Charlie von Schmieder	
Company name:	Gresham House	
Email address:	c.schmieder@greshamhouse.com	
Phone number:	07968 385589	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input checked="" type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

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I wish my response to be:

(Please mark the relevant box)

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

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

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

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

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

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

* See Electricity System Operator Licence

**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 checked="" type="checkbox"/> None
		<p>Absolutely not.</p> <p>Removing projects from the queue will reduce competition, not increase it.</p> <p>Having more BESS projects in the queue gives NESO, the TOs and the DNO/DSOs more flexibility to design electricity network. For example, BESS projects near a constraint or network bottleneck can alleviate the constraint, or mean that</p>	

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		<p>infrastructure improvement requirement is delayed. Both of these are good for the network. The more BESS projects there are, the more this is possible.</p> <p>The more BESS projects there are, the easier NESO can balance the electricity network and the more costs can be saved for the consumer by reducing the amount of constraint payments, currently over £1bn per year! (https://www.independent.co.uk/climate-change/octopus-energy-greg-jackson-wind-farms-climate-b2828421.html).</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>No, we strongly do not support this.</p>
3	Do you have any other comments?	<p>Having additional BESS projects in the connections queue is a good thing for the country and for the consumer.</p> <p>The benefits of BESS are not yet fully understood by the powers that be, and are not being utilised fully yet (e.g. skip rates in the balancing mechanism). Awareness is improving (e.g. Ofgem accepted that BESS can provide Long Duration Electricity Storage services). Cutting the number of BESS projects would be like stunting the growth of a new industry that is good for the country (e.g. pharmaceuticals or education).</p>

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		<p>The assumption that there are too many projects is dangerous. There are 50GW of demand connections from AIDC. Then electrification of heat and transport will double demand too. Finally BESS address constraints too. NESO, Ofgem and DESNZ (in fact all of us) must do all we can to help BESS flourish and reach its potential, not kill it due to some vested interests.</p> <p>There are other ways to reduce any negative impacts of an oversubscription, for example only designing the network for those BESS projects which are currently considered needed, rather than for all the BESS projects with a Gate 2 offer.</p> <p>Any extra administration they cause to NESO, the TOs or DNOs can be paid for by the applicants. In fact, it may be that this cost is already borne by applicants.</p> <p>It appears that this proposal has been made and supported by a few industry participants with vested interests, and not with the interests of the consumer at heart.</p> <p>A code modification is not the best way to address this perceived problem. Ofgem, NESO and DESNZ should take a holistic view and choose the best solution. The “captain of the ship”, in control of all possible levers should decide on the best solution, not just the occupants of the engine room.</p>
4	Do you wish to raise a Workgroup Consultation	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section of CMP470)</p> <p><input checked="" type="checkbox"/> No</p>

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	Alternative Request for the 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>There would be a negative effect on EBR objectives. BESS projects are a very flexible, responsive and cost effective way of achieving balancing on the electricity system. The more BESS projects there are, the more efficiently the system can be balanced.</p> <p>EBR has long term objectives. The nationally and globally required Energy Transition has only started. Completing it is a long term process involving more intermittent renewables (i.e. onshore wind, solar and <u>offshore wind</u>) which all need balancing (i.e. more BESS).</p> <p>Reducing the number of BESS projects or the number of potential BESS projects would clearly be counterproductive to EBR.</p> <p>It appears that this proposal has been made and supported by a few industry participants with vested interests, and not with the interests of the consumer at heart.</p>

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Specific Workgroup Consultation questions		
6	Do you agree with the workgroup's understanding of the issues which oversubscription creates?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Network companies will not build a network for battery connections that are not paid for by the customer. The costs will be borne by the grid connection customers, <u>not consumers</u>.</p> <p>Connection date delay is not primarily caused by projects in the connection queue.</p> <p>The alleged issues should be commented on by the parties that are directly affected, not by other industry participants. It seems odd that this modification has not been raised by NESO, the TOs or DNOs. It begs the question whether vested interests are at work which are not in the best interests of the consumer.</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 checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>While only anecdotal, at Gresham House we are offered potential BESS projects. Some of these appear unviable. Reasons vary, but include excessive connection costs, difficult ground conditions or uneconomic size.</p>

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		<p>Like the Workgroup says, there are many factors which go into the viability of a project. It is not black and white.</p> <p>Whether or not a project is unviable should be left to the market (competition is a good thing), not decided upon from on high without all the facts. Ability to pay more securities is a blunt instrument which would distort competition.</p> <p>The best projects (for the consumer) may be owned by less well funded operators. If that's the case they will get built. All this proposal would achieve would be to ensure that to force less well funded operators/developers and their projects into the arms of participants with deeper pockets (such as the private equity backed Field Energy, backed by CVC funded DIF) on worse terms. This would reduce competition and increase cost to the consumer.</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>We agree that any solution should be carefully designed. This proposal has not been well designed. Please refer to our response to Q.7 above.</p> <p>We strongly urge NESO, DESNZ and Ofgem not to support this proposal, but to find a holistic</p>

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		joined up solution which minimizes the impact of oversubscription, but retains that oversubscription so that competition, flexibility, responsiveness and benefit to the consumer are maximised and CUSC and EBR objectives are met.
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. The assumption that there are too many projects is dangerous. There are 50GW of demand connections from AIDC. Then electrification of heat and transport will double demand too. Finally BESS address constraints too. We don't want to kill the market yet.</p> <p>Nobody knows how quickly global energy costs will rise, how badly the country will need its own home produced energy or how many BESS projects will be useful in the future.</p> <p>A 50% oversubscription threshold is far too low. At least 150% or above would be appropriate given future uncertainty about requirement and natural attrition.</p>
10	Do you think the OTCF should apply based on national or	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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	regional oversubscription?	We do not think it should be applied at all.
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 We do not agree with its implementation at all. If introduced, it should certainly not apply to projects that have already accepted their Gate 2 offers and should not apply after 10% of the project cost has been incurred (like the capacity market, which works perfectly well).
12	Do you agree with the proposal to apply the OTCF as a securities floor?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If it were applied as a floor, it would have a disproportionate effect on lower cost (more viable) projects. Is that in the interests of competition or the consumer?
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 No. Any OTCF fee distorts competition.
14	Do you agree that the OTCF should be	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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	applied to projects which co-locate an oversubscribed technology with another technology?	
		The logic of this makes even less sense.
15	Do you agree that the OTCF should apply as well as the PCF?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		The PCF already gives NESO the tools that it needs.
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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		No. If implemented, the securites should be returned to the applicant. This creates an incentive to the application to leave the queue (which is what the proposer wants) rather than to stay in the queue.
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
		Yes. NESO should have the discretion to implement this. If anything is certain in these volatile times, it is that circumstances will change and NESO should be able to adapt quickly.

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18	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		No. Any implementation of this proposal is a bad idea, for the reasons given above. Although delaying implementation would allow more time for NESO to assess whether it is in fact needed.
19	Do you agree with the proposed Alternative Request 1 solution?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		No. Although at least it would have less of an anti-competitive impact.