

Public

## Code Administrator 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 June 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	
<b>Respondent name:</b>	Rob Smith	
<b>Company name:</b>	Enso Energy	
<b>Email address:</b>	Rob.smith@ensoenergy.co.uk	
<b>Phone number:</b>	<u>07917 770 182</u>	
<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 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

Public

**I wish my response to be:**

(Please mark the relevant box)	<input checked="" type="checkbox"/> <b>Non-Confidential</b> (this <u>will be shared</u> with industry and the Panel for further consideration)
	<input type="checkbox"/> <b>Confidential</b> (this will be disclosed to the Authority in full but, unless specified, <u>will not be shared</u> with the Panel or the industry for further consideration)

**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 question 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;*

## Public

- 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.

Public

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

Standard Code Administrator Consultation questions		
1	Please provide your assessment for the proposed solutions against the Applicable Objectives against the current baseline.	Mark the Objectives which you believe the proposed solutions 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
		WACM1 <input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input type="checkbox"/> None
		WACM2 <input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input type="checkbox"/> None
		WACM3 <input type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
		WACM4 <input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input type="checkbox"/> None
		WACM5 <input type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
		WACM6 <input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input type="checkbox"/> None
		We believe that most proposals do not better meet the applicable objectives. We are particularly concerned that the original proposal, and those with similar OTCF cost points, have the potential to introduce unintended consequences, especially, for phase 1 well-developed, strategically required projects. Given the backward movement of protected 2026/27 project connection dates, it is probable that a large proportion of phase 1 projects will have their connection dates moved back to the late 2020's or early 2030's.

## Public

		<p>This means that these projects are likely to be in a pre-FID position for an extended period. (It is generally accepted in generation project development that any Devex costs, including the posting of securities, incurred pre-FID will be met via equity investment as debt is rarely secured prior to this point as there are deemed to be outstanding development risks).</p> <p>A rough estimate of Pre FID Devex costs per MW for solar and BESS projects is £8K-£10K per MW. After 12 months the additional OTCF securities could rise to £15K per MW and as such increase pre-fid costs by approx. 150%. Not only will developers have to secure that additional funding from equity investors put they must make provision for the additional financing of those securities. Given required equity returns, this is likely to be more than 12%.</p> <p>We would note that not all investment in a project has a similar risk profile. Pre-FID devex is provided where the project still holds binary risk and so the amount that investors are willing to allocate is a small proportion of the overall project capital cost and the level of returns significantly higher. Increasing Pre-Fid Devex by 100%-150% may very well make the risk calculation of, even well developed, projects prohibitively unattractive.</p> <p>If equity is not able, or prepared, to increase funding pre-FID, then these projects have 2 options. They can sell their projects, likely as a distressed seller with the associated price discount, or they will have to cancel their projects. This environment will favour cash rich developers who will be able to take advantage by either forcing the competition out of business or buying their projects at a market discount. As such the projects with the deepest pockets, rather than the most efficient or beneficial to the system, will be brought to market.</p>
--	--	---

Public

		<p>It might be argued, that although this is unfair from an individual developer perspective, and a significant detrimental signal to long term investor confidence, this is an efficient outcome. However, this argument presupposes that the additional securities reflect the value that parties place on retaining project optionality. However, nowhere in the original proposal has this efficient OTCF cost methodology been articulated. It simply depends on some rough comparison to the overall cost of Liabilities at the point immediately prior to the project connecting. However, this assessment takes no account of the time value of money or the risk appetite of projects the closer they are to the connection date. The risk of posting securities for the 12 months prior to connecting when planning conditions have been discharged and construction is substantiality progressed is very different from posting that level of securities 5 to 6 years in advance and the associated level of risk that a project will retain at that point.</p> <p>In relation to objective ii, efficient competition must lead to an efficient market outcome. In this context, it must deliver the best projects to the market, and ultimately the least cost to the end consumer. If this proposal leads to the removal of significant viable, strategically required, projects as well as those that would ultimately cancel once they had started to be exposed to significant liabilities, then it is effectively throwing out the baby with the bath water. We would argue this is not efficient and so would not better facilitate objective ii.</p> <p>If this proposal leads to the cancellation of viable strategically required projects, above and beyond the level it is economically efficient to do so, then this cannot be better meeting objective iv.</p>
--	--	---

Public

2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input type="checkbox"/> WACM1 <input type="checkbox"/> WACM2 <input checked="" type="checkbox"/> WACM3 <input type="checkbox"/> WACM4 <input type="checkbox"/> WACM5 <input type="checkbox"/> WACM6 <input type="checkbox"/> Baseline <input type="checkbox"/> No preference
<p>Whilst we agree there is a need to price the currently free optionality that some projects enjoy, due to long lead time connection dates or low connection liabilities, the proposal must be proportionate. It must not set an unduly penal charge on viable, efficient, strategically required projects, that due to circumstances of timing the OTCF would bestow on them.</p> <p>Whilst imperfect, WACM3 at least attempts to price the OTCF based on an assessment of the value at which it is deemed efficient to retain project optionality in the Queue. This uses the methodology and results proposed by NESO and approved by Ofgem as part of their CMP448 CUSC modification in which they argued that a value of approximately £8000/MW (rounded to the nearest £1000/MW) was the value at which a project would deem it too expensive to remain in the queue if they held a project with a negative IRR. Given that is effectively what the OTCF is trying to achieve it is unclear to us how any other value, especially those that</p>		

## Public

		<p>have no supporting methodology justifying the OTCF cost, could be more efficient in producing the hoped-for outcome.</p> <p>It would be interesting to see, if the original is approved, how any narrative regarding the decision explains how it rejects the rationality applied in approving CMP448.</p>
3	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>
4	Do you have any other comments?	<p>We are very concerned that the OTCF fee set at the levels proposed in the original proposal have not been devised using an economically efficient methodology. We believe this unsupported penal value will lead to cash rich developers, especially those with 3a protected projects, being able to buy their way to the front of the BESS queue. Such a penal, unjustified OTCF value, is likely to lead to the risk of...</p> <p>cancelling viable projects. Projects that are buildable and near ready may be dropped simply due to funding constraints at the wrong point in time.</p> <p>favour large, well-capitalised players, leading to:</p> <ul style="list-style-type: none"> <li>• Reduced competition</li> <li>• Market consolidation</li> <li>• Less innovation from smaller developers</li> </ul>

Public

		Further erode investor confidence
5	Do you agree with the Workgroup's assessment that the modification <u>does not</u> impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  Click or tap here to enter text.