

CMP448 Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

Workgroup Meeting 3, 12 March 2025

Online Meeting via Teams

WELCOME

Joseph Henry - Chair

Agenda

1. Welcome and query log

2. The metric

- Why we need a trigger mechanism
- Other options considered for the metric
- Metric overview and rationale

3. The trigger threshold

- Why 6 GW?
- PCF solution performance under different scenarios

4. Activation governance

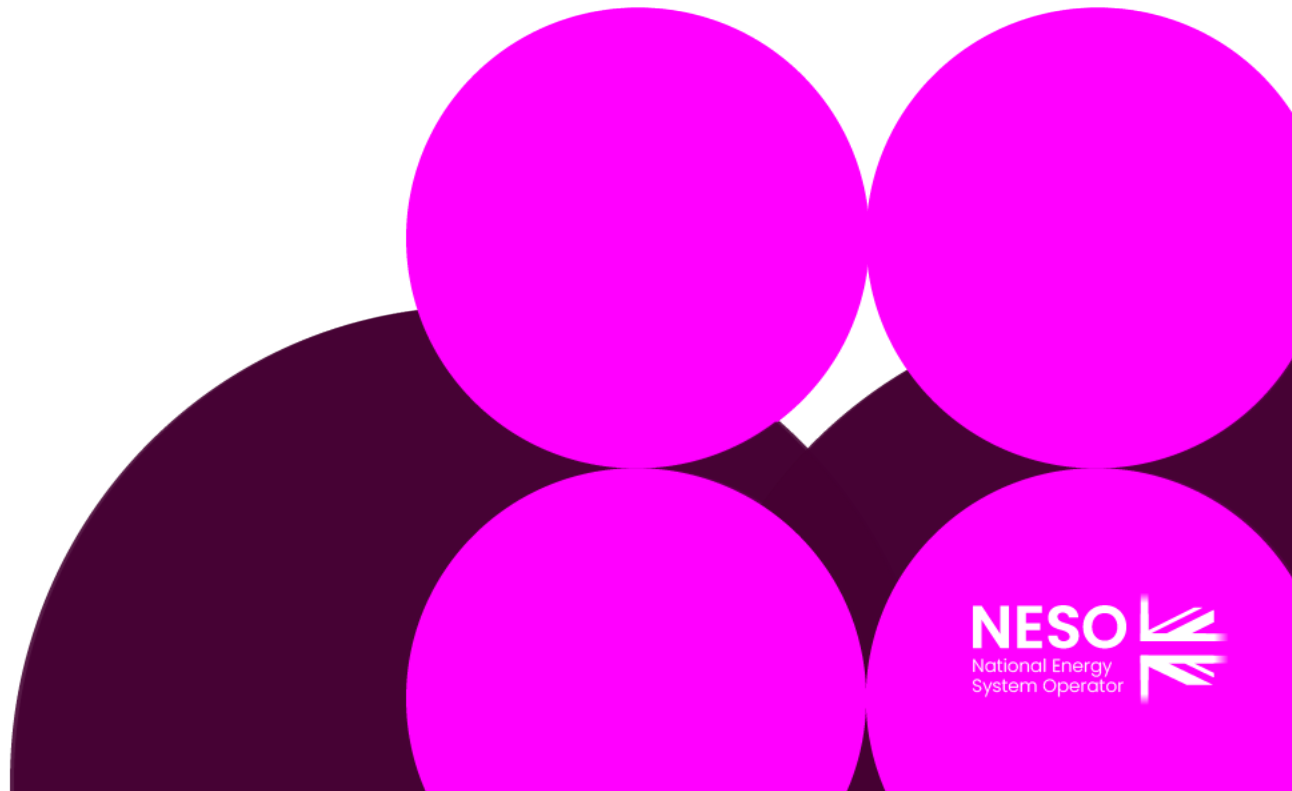
- Governance decision timeline

5. Plan for future sessions

- Recap of upcoming session plan
- Any alternate proposals?

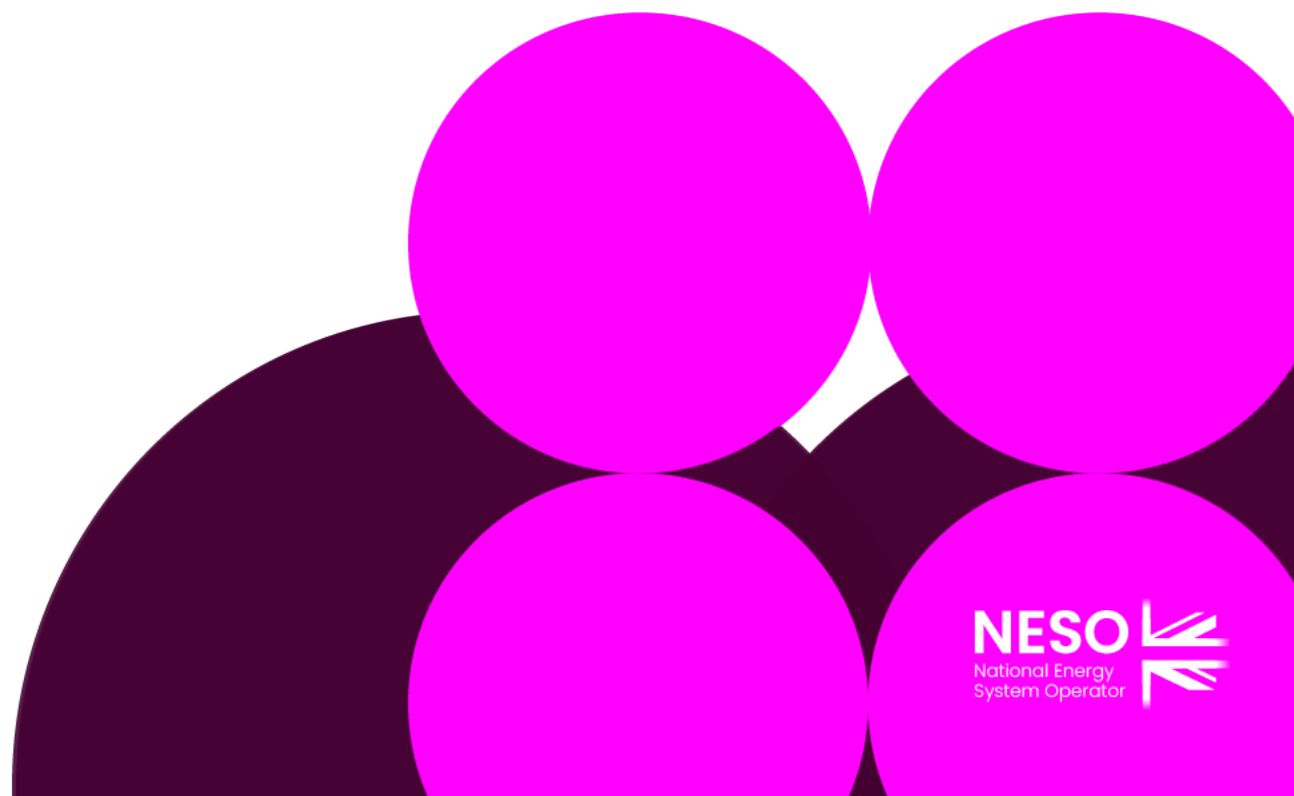
Action and Query Logs

Workgroup Chair - NESO



The Metric

Ash Adams - NESO



Why do we need a trigger metric?

Challenge: We can't be certain how prevalent the problem of project non-progression will be in the future gate 2 queue. Therefore, we propose that we should only activate the Progression Commitment Fee if non-progression is prevalent.

We therefore need two things:

- 1) Trigger Metric:** a reliable measure of queue health with respect to project progression to Milestone 1 (measured on a regular basis)
- 2) Trigger Threshold:** a pre-defined threshold value above which the measure would signal that the PCF should be triggered

If [metric value] > [threshold], then the PCF could be activated¹

Notes:

1. PCF activation is subject to NESO and Ofgem decisions

Trigger Metric

Upon implementation of the modification, the PCF will initially be dormant. It will remain dormant unless a metric exceeds a defined threshold.

- The metric is an **indicative measure of the prevalence of unviable projects in the connections queue** between Gate 2 entry and Milestone 1.
- The **metric** will measure the **cumulative project MWs that are “terminated” from the Gate 2 connections queue as a result of failing to meet Milestone 1**. Any project MWs that are subsequently replaced by another project (or projects) with a connection date within 12 months of the connection date of the original project will be excluded from the metric. This metric will be referred to as the “trigger metric”.
- **Following termination**, what qualifies as replacement capacity for the purposes of the trigger metric will be assessed by NESO based on a number of factors including but not limited to the location and technology type of the replacement connection in relation to the original. If no replacement capacity can be identified within six months, the terminated capacity will be regarded as not having been replaced by another project (or projects) for the purposes of the trigger metric.
- **Trigger measurement:** The trigger metric will be measured from the date of implementation to 31 December 2030 inclusive, the “initial metric period” and then for each five-year period thereafter. NESO will measure the trigger metric at six monthly intervals, the “measurement point” and publish this data.

Note: The definition of and process for replacement capacity is being handled under implementation of CR (CMP434 & CMP435) and is not within scope for this Workgroup. More detail on Capacity reallocation can be found in 7.22-7.25 of the [Connections Network Design Methodology](#)

Key options considered for PCF activation

We considered whether the activation of the PCF should be manual, at any time determined by NESO and/or Ofgem, or whether a trigger mechanism should be used. If the activation was to be via a trigger, we considered the most appropriate trigger metric to use.

Aspect of the metric	Options considered	Description	Rationale
Appropriate metric to use	Manual activation via NESO/Ofgem decision	There is no trigger metric, the PCF is activated upon a decision by NESO and/or Ofgem	<ul style="list-style-type: none">Manual activation of the PCF by NESO and/or Ofgem at any time they believe it required could create additional uncertainty for industry.A trigger metric that can be published on a regular basis provides transparency to industry in relation to when the PCF is likely to be activated.Post TMO4+ capacity in the gate 2 queue will be more closely aligned to target amounts. Therefore, the issue of “oversubscription” should largely be resolved with TMO4+/CP30 methodologies.Further, A trigger metric based on queue “oversubscription” would not necessarily indicate that there is a high number of unviable projects in the queue.NESO believes that a trigger metric based on capacity termination provides the strongest indication that there are unviable projects in the queue.
	Metric based on CP30 requirements	A trigger metric is based on the amount of capacity in the queue in relation to 2030 or 2025 permitted capacities.	
	Metric based on capacity termination	A trigger metric based on capacity terminated at or pre-Milestone 1	

Design Options Key:

Selected option

Alternative option



Key options considered for the metric

The metric will measure the **cumulative project MWs** that are “terminated” from the Gate 2 connections queue including but failing to meet Milestone 1. Any project MWs that are subsequently replaced by another project (or projects) with a connection date within 12 months of the connection date of the original project will be excluded from the metric. This metric will be referred to as the “trigger metric”. If no replacement capacity can be identified within six months, the terminated capacity will be regarded as not having been replaced by another project (or projects) for the purposes of the trigger metric.

Aspect of the metric	Options considered	Description	Rationale
Measurement of the total MW	Annual total (resets every year)	The annual total is measured at the end of each year but resets to zero at the beginning of the next year	<ul style="list-style-type: none">• Rather than an annual threshold which would reset each year, a cumulative value allows us to target a total “allowable” threshold.• This allows for greater in-year variation, while also ensuring that cumulative impacts of attrition over time are accounted for.• A cumulative total over a five year period allows for alignment of metric period with window to achieve CP30.
	Cumulative total (resets every 5 years)	The cumulative total is measured as a growing sum over the years. Each year’s total is carried on to the next year. Cumulative total resets every 5 years.	

Design Options Key:

Selected option

Alternative option

Key options considered for the metric

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Aspect of the metric	Options considered	Description	Rationale
Measurement of MW terminations	Sub-queue measure	Total MW is measured by technology or by region	<ul style="list-style-type: none">• If the trigger threshold is met only in one region / technology and the PCF is activated there, it could lead to a perverse incentive for developers to shift investment away from that region / technology.• Measuring MW by technology or region could potentially be perceived as discriminatory.
	National measure	Total MW is measured across GB across all technology types	

Design Options Key:

Selected option

Alternative option

Key options considered for the metric

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Aspect of the metric	Options considered	Description	Rationale
MW contributing to 'termination' in the queue	Project MW that proactively exit the queue	Projects exit the queue on their own before Milestone 1, without NESO intervention	<ul style="list-style-type: none">Projects that proactively leave the queue before their M1 date are excluded from contributing to the metric because this behaviour is what we aim to incentivise with the PCF.
	Project MW that are terminated from the queue by NESO	Projects remain in the queue between Gate 2 and Milestone 1 until they are terminated by NESO	

Design Options Key:

Selected option

Alternative option

Key options considered for the metric

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Aspect of the metric	Options considered	Description	Rationale
MW that count towards replacement	All terminated projects	All terminated projects regardless of whether or when they are replaced	<ul style="list-style-type: none">• A primary concern of the PCF and Connections Reform more broadly is to incentivise the targeted capacity to be connected by 2030. With that in mind, terminations per se are not as much of a concern as terminations without (timely) replacement.• NESO aims to support competition by allowing new projects to enter the queue and replace capacity.• Replacements with connections dates within 12 months are excluded from the metric because the impact on total MW connected by 2030 is more limited.
	Terminated projects that result in a delay to capacity being connected	Project MWs are only counted if they are not subsequently replaced by another project (or projects) with a connection date within 12 months of the connection date of the original project	

Design Options Key:

Selected option

Alternative option



Key options considered for the metric

The metric will measure the cumulative project MWs that are “terminated” from the Gate 2 connections queue including but failing to meet Milestone 1. Any project MWs that are subsequently replaced by another project (or projects) with a connection date within 12 months of the connection date of the original project will be excluded from the metric. This metric will be referred to as the “trigger metric”. **If no replacement capacity can be identified within six months, the terminated capacity will be regarded as not having been replaced by another project (or projects) for the purposes of the trigger metric.**

Aspect of the metric	Options considered	Description	Rationale
Timeframe contribute to replacement	Within 12 months	If no replacement is found within 12 months (2 measurement points), then we will count it as not replaced	<ul style="list-style-type: none">The metric should be updated frequently, as any additional time beyond the application window could result in a noticeable lagA 6 month window balances a reasonable amount of time for replacement capacity to be identified, whilst allowing the process to be as efficient as possible
	Within 6 months	If no replacement is found within 6 months (following measurement point), then we will count it as not replaced	

Design Options Key:

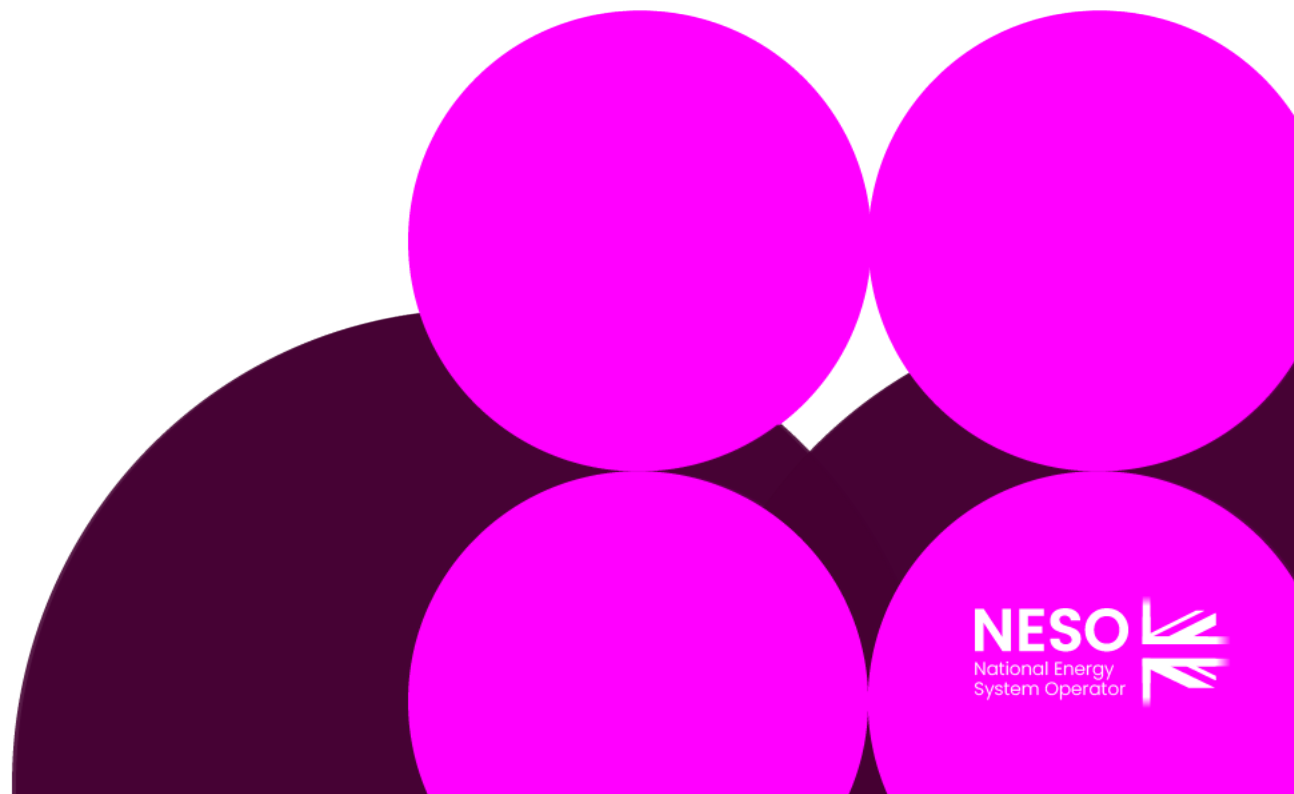
Selected option

Alternative option

Note: The PCF modification is being developed in parallel to the further developments of the connections network design process. We will confirm the proposed option and how it works within those processes at a subsequent workgroup.

The Trigger Threshold

Ash Adams - NESO



Selecting the trigger threshold

The “trigger threshold” will be set at a cumulative total of 6000MW for the initial metric period

The trigger should be sensitive enough to be triggered quickly if there is a problem with projects not progressing to M1 in the queue. Therefore, we want a threshold that:

- Will be met if there is a high prevalence of project non-progression
- Will not be met if this issue is not prevalent in the future Gate 2 queue

To estimate when the trigger threshold would be met, we have to make several assumptions:

1. Estimate the composition of the future Gate 2 queue by assuming that projects currently in the queue will apply for and be allocated capacity based on:
 - **Allowed capacity for each technology type in 2035 as set out in CP30:** MW above the allowed capacity will not be allocated a position in the Gate 2 queue
 - **Project maturity:** those projects that already have planning consents will receive capacity ahead of those that do not
 - **Connection date:** projects with earlier connection dates will receive capacity ahead of those with later dates. Projects with connection dates between 2026–2035 inclusive are included in the analysis.
2. Estimate the M1 dates of those projects that have not already submitted planning¹
3. Simulate when the threshold would be met based on different attrition and replacement rates

Notes:

1. Milestone dates estimated using backward-calculated M1 dates as described in CMP376. Forward-calculated dates have not been used due to date limitations on planning type.

Example Scenario 1: The PCF trigger threshold will not be met if the issue is no longer prevalent

Scenario Overview: Healthy Queue

- Description: Connection delays caused by project non-progression are minimal.
- Assumptions¹:
 - i. Attrition: 5%
 - ii. Replacement: 75%

Scenario 1: Healthy Queue Trigger Metric Analysis

Time Period	1H26	2H26	1H27	2H27	1H28	2H28	1H29	2H29	1H30	2H30
Estimated Trigger Metric Value (MW) ²	0	252	324	456	892	892	892	941	1081	1082

Outcome: the PCF remains dormant until the end of 2030, when the threshold value resets.

Notes:

1. Analysis is based on Impact Assessment Data (December 2024), filtered for allowed capacity for each technology type in 2035 as set out in CP30, project maturity and connection dates; please see selecting the trigger threshold page for full details
2. Estimated based on stated assumptions for attrition and replacement in scenario overview

Example Scenario 2: The PCF trigger threshold will be met if queue health deteriorates

Scenario Overview: Deteriorating Queue Health

- Description: Over time, project non-progression and subsequent impacts to viable projects with later connection dates increases to a point where there is risk to CP30.
- Assumptions¹:
 - i. Attrition: 15%
 - ii. Replacement: 40%

Scenario 2: Deteriorating Queue Health Trigger Metric Analysis

Time Period	1H26	2H26	1H27	2H27	1H28	2H28	1H29	2H29	1H30	2H30
Estimated Trigger Metric Value (MW) ²	0	1,815	2,334	3,285	6,419	6,419	6,419	6,774	7,784	7791

Outcome: the PCF threshold will be met as queue health deteriorates.

Notes:

1. Analysis is based on Impact Assessment Data (December 2024), filtered for allowed capacity for each technology type in 2035 as set out in CP30, project maturity and connection dates; please see selecting the trigger threshold page for full details
2. Estimated based on stated assumptions for attrition and replacement in scenario overview

Example Scenario 3: The PCF trigger threshold will be met if the issue remains prevalent

Scenario Overview: Unhealthy Queue

- Description: Project non-progression resulting in connection delays to more viable projects with later connection dates remains a prevalent issue post-TMO4+.
- Assumptions¹:
 - i. Attrition: 30%
 - ii. Replacement: 5%

Scenario 3: Unhealthy Queue Trigger Metric Analysis

Time Period	1H26	2H26	1H27	2H27	1H28	2H28	1H29	2H29	1H30	2H30
Estimated Trigger Metric Value (MW) ²	0	5,748	7,390	10,404	20,328	20,328	20,328	21,452	24,650	24,673

Outcome: the PCF threshold will be met.

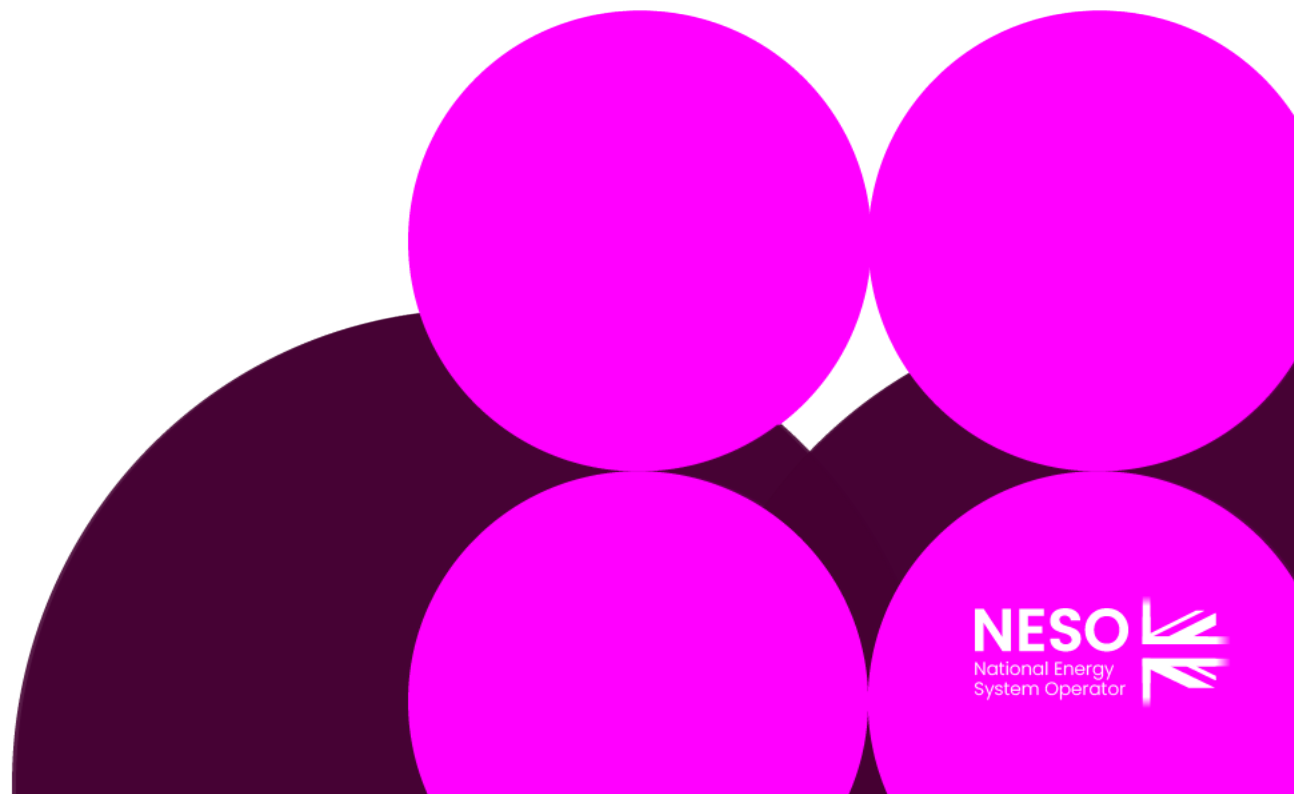
Notes

1. Analysis is based on Impact Assessment Data (December 2024), filtered for allowed capacity for each technology type in 2035 as set out in CP30, project maturity and connection dates; please see selecting the trigger threshold page for full details.

2. Estimated based on stated assumptions for attrition and replacement in scenario overview

Activation Governance

Ash Adams - NESO



Progression Commitment Fee Activation

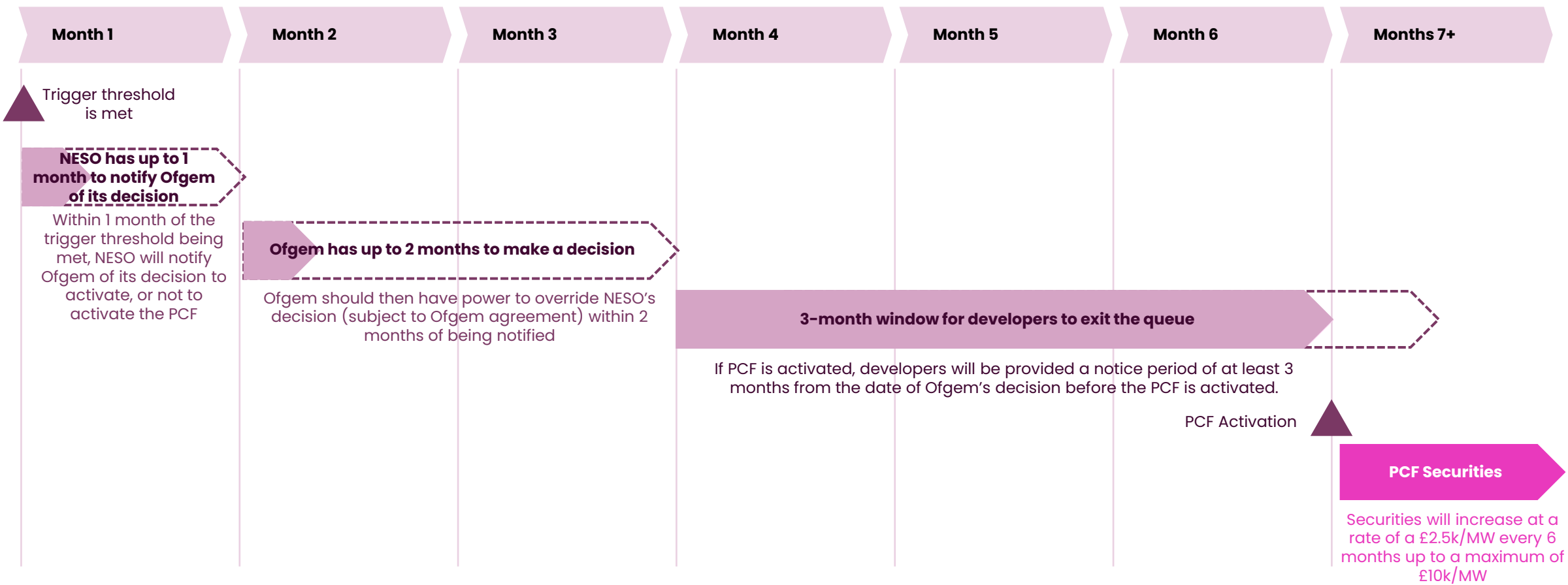
- **The “trigger threshold”** will be set at a cumulative total of 6000MW for the initial metric period, which is the approximate equivalent of 5% of the additional capacity (capacity that is not already installed) that is required to be connected before the end of 2030 in order to meet CP30 targets¹. If the PCF is not activated by the end of the initial metric period, the intention of NESO is to review the trigger threshold ahead of each subsequent 5-year period.
- **If, at any measurement point, the published trigger metric, is greater than 6000MW**, the trigger threshold will have been deemed to be met.
- **If the trigger threshold is deemed to have been met** at any measurement point, NESO will have the option to activate or not activate the PCF and will notify Ofgem of its decision within 1 month of the trigger threshold being met. We propose that (subject to Ofgem agreement) Ofgem should then have power to override NESO’s decision within 2 months of being notified. For the avoidance of doubt, there will be no ability of any party to activate the PCF unless the trigger threshold is first met.
- **If the trigger threshold is met and the PCF is activated**, users will be provided a **notice period of at least 3 months** from the date of Ofgem’s decision. If a User decides to remove the project from the connections queue within this period, they will not be liable for the PCF upon termination².

Notes:

1. Additional capacity estimated using DESNZ 2030 Capacity Range compared to installed capacity in 2024 as listed in [Clean Power 2030 Action Plan: Connections reform annex](#) (pg.9, 10).
2. They will still be liable for the applicable cancellation charge as per the current arrangements.

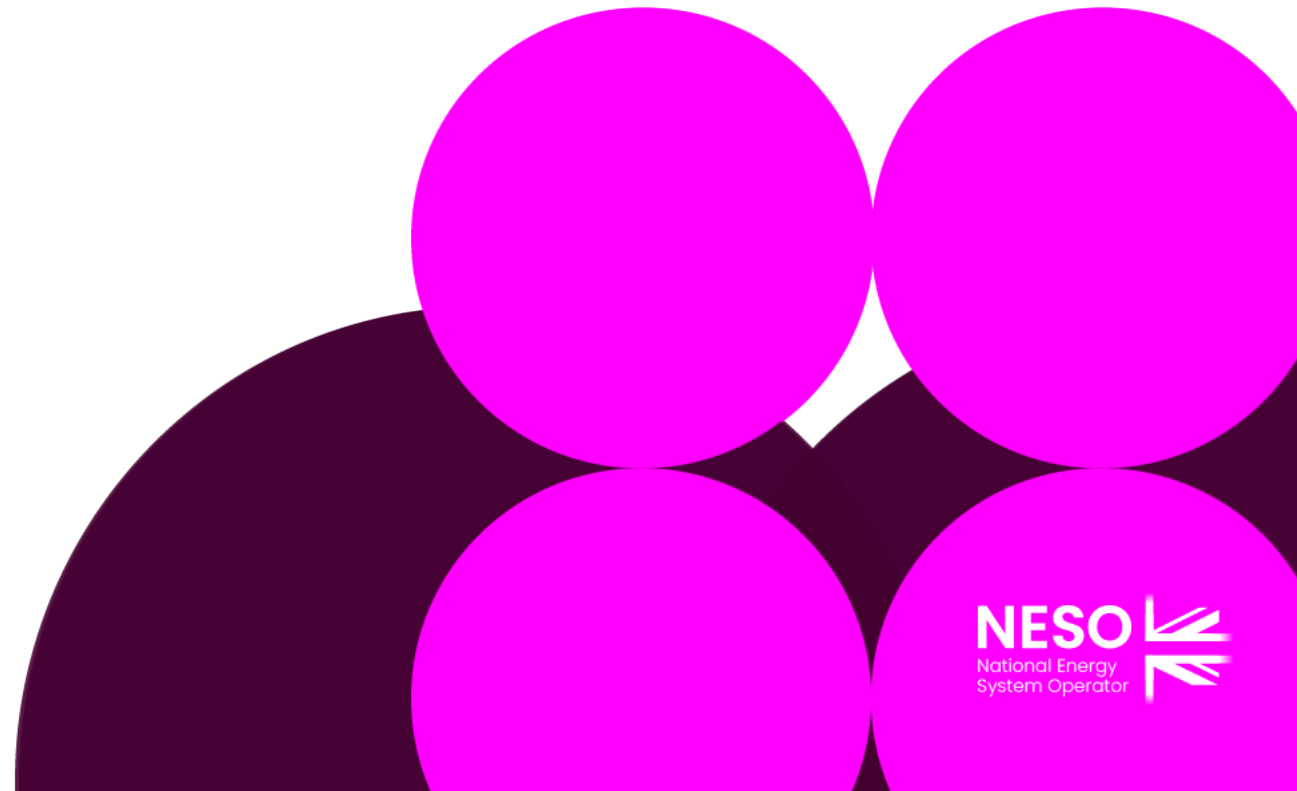
Trigger Met to Activation Decision Timeline

If the trigger threshold is met and the PCF is activated, users will be provided a **notice period of at least 3 months** from the date of Ofgem’s decision. If a User decides to remove the project from the connections queue within this period, they will not be liable for the PCF upon termination



Note: NESO has noted that a request for an additional industry consultation during this process was requested in WG2

Plan for Future Sessions



Plan for upcoming Workgroup sessions

Workgroup Session	Date	Session topic	Topics to cover
Workgroup 3	12 March 2025 (today)	Trigger Mechanism	<ul style="list-style-type: none"> Consider the metric that will best reflect queue health Consider the trigger threshold that will best reflect queue health Expectations for when threshold could be triggered
Workgroup 4	17 March 2025	Value/design of PCF & timelines	<ul style="list-style-type: none"> Discuss the value and ramping design of PCF and expected impact on developers for safeguarding Consider expected impact on connection timelines by discussing the timelines for NESO, Ofgem, and project developer actions after the PCF is activated
Workgroup 5	20 March 2025	Final review of WG consultation	<ul style="list-style-type: none"> Additional topics raised in earlier Workgroups Final Review of Workgroup Consultation
Workgroup Consultation	24 March – 7 April 2025	N/A	
Workgroups 6–13	16 April – 27 May	Multiple, TBC	<ul style="list-style-type: none"> Additional topics raised in the amended TOR Additional topics raised via the Workgroup Consultation

Next Steps and AOB

Workgroup Chair – NESO

