

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

Workgroup Meeting 9, 12 May 2025

Online Meeting via Teams

Welcome and Agenda

Agenda

WG9

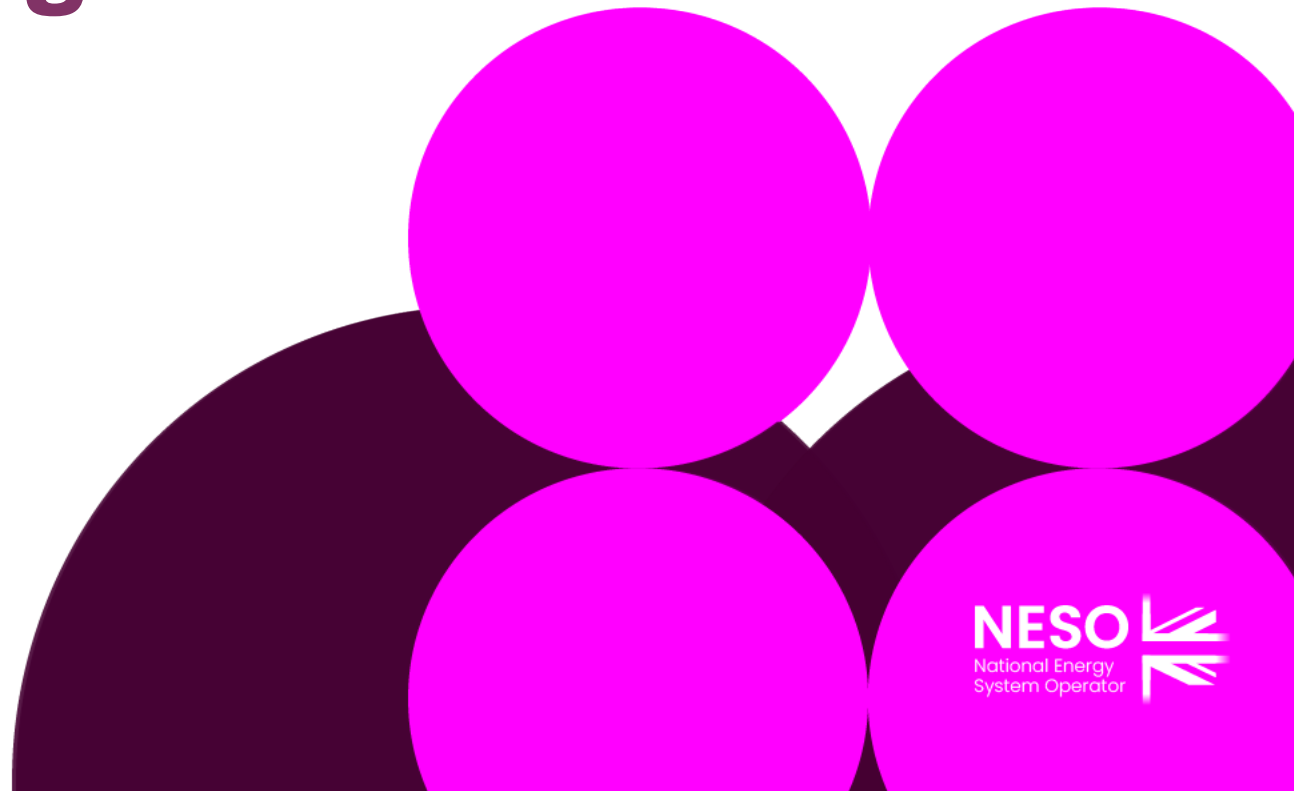
Agenda

#	Topics to be discussed	
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| 1. | Welcome and Agenda | Chair |
| 2. | Action and Query Logs | Chair |
| 3. | Updated Positions on:
a) NESO Original Proposal | Proposer |
| 4. | Island Green Power Alternative | Robin Prince |
| 5. | Alternative Vote | Chair |
| 6. | Plan for next workgroups
a) Legal Text
b) Workgroup Report | Chair |
| 7. | Any Other Business | Chair |
| 8. | Close | Chair |
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Action and Query Logs

Workgroup Chair - NESO



PCF Application Scenarios for Hybrid Projects

Challenge:

- Hybrid projects don't have an associated TEC MW value at the **individual technology level** but only at the stage and project level
- This raises the question of how we would apply the PCF to different technologies within the same project/ stage. Two scenarios require clarification:

#	Scenarios	Approach to Apply PCF
1	<ul style="list-style-type: none">One technology drops out of the project between Gate 2 and M1, or fails M1	<ul style="list-style-type: none">Customer to update TEC for the new project. PCF will be collected for the reduction and will still apply for remaining TEC MW pre M1
2	<ul style="list-style-type: none">One technology has passed M1 <i>criteria</i> – a planning application has been submitted for one technology, but not yet for the other technology¹	<ul style="list-style-type: none">Different technologies are not treated individually because TEC is assigned at a project/stage level, and not by technology. The whole stage only passes M1 when all technologies within the stage have met the M1 criteria <p>(For the avoidance of doubt, this approach has not changed since WG7)</p>
3	<ul style="list-style-type: none">One technology (e.g. solar) passes M1 criteria, but the other has not yet passed M1 criteriaThe second technology (e.g. battery) then drops out of a project between G2 and M1, or fails M1.However, the TEC MW for the overall project stage remains unchanged even though the second technology drops out.	<ul style="list-style-type: none">Where only one technology (e.g. solar) passes M1, the PCF still applies to full stage TEC (see Scenario 2).If the second technology (e.g. battery) then fails M1 or drops out but there is no reduction in TEC, there would be no PCF charge for termination (see Scenario 1).The stage would now no longer be liable to the PCF given the remaining technology has already passed M1

Notes:

- This scenario is unlikely as it would imply that two technologies with the same M1 date would go through planning separately

Updated Positions – NESO Original Solution

Progression Commitment Fee: Latest Solution Overview

Key: Changes or clarifications to the proposed PCF design since Workgroup 1		WACM 1 – Innova	WACM 2 – Scottish Power Renewables
Intent	<p>The Progression Commitment Fee (PCF) is intended to provide an incentive for:</p> <ul style="list-style-type: none"> • Developers of projects that have become unviable to proactively exit the queue in a timely manner. • Developers who are no longer committed to progressing viable projects to sell them to a committed developer, in a timely manner. 		
Activation	<ul style="list-style-type: none"> • Once implemented, the PCF will initially be dormant. It will remain dormant unless a “trigger metric” which is indicative of the health of the connections queue exceeds a defined threshold of 6.5GW (“trigger threshold”). • The “trigger metric” is the total cumulative Gate 2 queue terminated for failing to meet M1. (Terminated projects that are replaced will now also contribute to the metric) • At the point where the threshold is met, the PCF may be activated, subject to decisions by NESO and Ofgem 		
Value	<ul style="list-style-type: none"> • Once activated, the PCF applicable to a project will have an initial value of £2,500/MW. A project’s PCF will then increase at a rate of £2,500/MW at 6 monthly intervals up to a maximum cap of £10,000/MW • Projects will be liable for the full value of their PCF upon termination of the project (or the appropriate portion of the PCF upon reduction of capacity) prior to successfully demonstrating achievement of Milestone 1. 	<ul style="list-style-type: none"> • Once Activated there will be a 6-month period where the PCF is £0/MW. • Following this, PCF value will be 10% of that proposed in the original (£250/MW increasing to £1,000/MW) 	
Scope	<ul style="list-style-type: none"> • If the PCF is activated, it will be applicable to all generation projects that hold Transmission Entry Capacity, Developer Capacity or Interconnector Capacity (including small, medium and large distribution connecting generation) and have accepted a Gate 2 contract offer and not passed Queue Management Milestone 1. • However, projects with a M1 date less than six months post Gate 2 contract signature are out of PCF scope 		
Collection	<ul style="list-style-type: none"> • If the PCF is activated, developers of projects between Gate 2 and Milestone 1 will be required to post a security against the PCF, the “Progression Commitment Fee Security” (“PCFS”). The PCFS must remain in place until developers successfully demonstrate that the project has achieved Milestone 1. • The PCFS will be embedded within the existing security ‘cancellation charges’ outlined in CUSC Section 15 and therefore will follow the existing processes and timings • After achieving Milestone 1, developers will no longer be subject to the PCF if they terminate and there will no longer be a requirement to secure against the PCF. 		<ul style="list-style-type: none"> • A discount of 75% will be applied to the PCF value if the customer self-terminates at least 90 days prior to the M1 date.

Alternative – Island Green Power

Alternatives

Current Alternatives

Alternative Proposer	How Alternative Differs from the Original	Confirmed?	Alternative Number for Vote	WACM?
ENWL (1)	PCF without Trigger Metric	Yes	1	No
Innova	Reduces PCF value by a factor of 10	Yes	2	WACM1
Arven	Exclusion of Offshore Projects	Yes	3	No
Lightsource BP	"Simplified" GB Wide PCF	Yes	4	No
Scottish Power Renewables	Self Termination PCF Discount	Yes	5	WACM2
ENWL (2)	Embedded Exemption from PCF	Yes	6	No
NGED	PCF does not apply to projects within 18 months from the acceptance of a Gate 2 Offer	Yes	7	No
Island Green Power	Remove any reference to Queue Health, Trigger Metric and Trigger Threshold	Yes	8	TBC

What is the Alternative Request?

What is an Alternative Request? The formal starting point for a Workgroup Alternative Modification to be developed which can be raised up until the Workgroup Vote.

What do I need to include in my Alternative Request form? The requirements are the same for a Modification Proposal you need to articulate in writing:

- a description (in reasonable but not excessive detail) of the issue or defect which the proposal seeks to address compared to the current proposed solution(s);
- the reasons why you believe that the proposed alternative request would better facilitate the Applicable Objectives compared with the current proposed solution(s) together with background information;
- where possible, an indication of those parts of the Code which would need amending in order to give effect to (and/or would otherwise be affected by) the proposed alternative request and an indication of the impacts of those amendments or effects; and
- where possible, an indication of the impact of the proposed alternative request on relevant computer systems and processes.

How do Alternative Requests become formal Workgroup Alternative Modifications? The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the current proposed solution(s), the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Workgroup Alternative Modifications? NESO will assist Proposers and Workgroups with the production of draft legal text once a clear solution has been developed to support discussion and understanding of the Workgroup Alternative Modifications.

Can I vote? And What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative CUSC Modifications.
- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.
- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM)** and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

Plan for Future Workgroups

Plan for upcoming Workgroup sessions

Workgroup Session	Date	Session topic	Topics to cover
Workgroup 7	30 April 2025 (today)	Securities, replacements & alternatives	<ul style="list-style-type: none"> Overview of the PCF security will work Updated position on replacements in the trigger metric Discussion on alternatives
• Workgroup 8	• 07 May 2025	• Alternatives & Voting on WACMs	<ul style="list-style-type: none"> Discuss questions raised from workgroup consultation Discuss any further updates to the Mod Proposal Vote on WACMs
Workgroup 9	12 May 2025	Confirm Original Alternative Vote	
Workgroup 10	14 May 2025	Legal text review part 1	
Workgroup 11	19 May 2025	Workgroup report first draft & legal text review	<ul style="list-style-type: none"> Review Workgroup report Review legal text
Workgroup 12	27 May 2025	Workgroup report & Workgroup Vote	<ul style="list-style-type: none"> Finalize Workgroup report Workgroup vote on what option they think is best

Next Steps and AOB

Workgroup Chair – NESO

