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## Workgroup Consultation Response Proforma

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

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@nationalenergyso.com](mailto:cusc.team@nationalenergyso.com) by **5pm** on **07 April 2025**. 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 Joe Henry [Joseph.henry2@nationalenergyso.com](mailto:Joseph.henry2@nationalenergyso.com) or [cusc.team@nationalenergyso.com](mailto:cusc.team@nationalenergyso.com)

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<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input checked="" 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 type="checkbox"/> Other

**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*)

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

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

- a) *The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence\*;*
- b) *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;*
- c) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*\*; and*
- d) *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

\* See Electricity System Operator Licence

\*\*The Electricity Regulation referred to in objective (c) 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 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*

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*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 ESO 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 and/or any potential alternatives better	Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:	
		Original	<input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D

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	facilitate the Applicable Objectives versus the current baseline?	No comments made.
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Agree that if this is going to be of any use, CMP448 must be in place before the first Gate 2 Offers are issued, assuming that CMPs 434 and 435 are also approved.
3	Do you have any other comments?	<p>We have concerns that the proposed fee, once triggered, acts upon all parties in the connections queue regardless of their own efforts and intentions to move their projects forward. It could tend to impact smaller projects/developers more adversely than larger ones, and therefore might not be deemed to be fair. We would like to see this explored further by the Workgroup.</p> <p>We have highlighted several areas where a more precise application of the PCF trigger could be applied (in terms of location and generation technology), and thus mitigating some of these concerns.</p> <p>Apart from the fact that the proposed Trigger Threshold is something of a lump hammer rather than a scalpel, another issue is that the OP advocates encoding an absolute value of 6GW for the Trigger Threshold, which does not seem to be good practice. The obvious alternative of a percentage has been dismissed without adequate explanation.</p> <p>There is also no information on how any monies paid as a penalty under the PCF will be used or kept. We would</p>

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		suggest that NESO should use this to reinvest in areas of the business to improve application services (or reduce the application fees) for valid customers, rather than using it as another revenue stream.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the <u>Workgroup Consultation</u> Section) <input checked="" type="checkbox"/> No  There are several Potential Alternatives that we support, and would like to see promoted, as noted in the response to Q18 below.
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  No comments made.

## Specific Workgroup Consultation questions

6	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the duration of the fee? Please provide	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  We agree that the period from G2 offer acceptance to M1 is a period over which "unviable projects can persist in the connections queue without progressing", and that the proposed fee could act as an incentive for the developer to actively consider the project's viability, and either acting to progress the project, or remove it from the queue. The rationale for the fee is for it to act as an incentive to the
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	the rationale for your views.	developer for the actions within his control. Therefore, extending the fee to M2 makes little sense, as the developer has little impact on the planning process once the application is submitted. The arguments concerning the limited benefit of the fee after M2 are sensible, particularly as the exposure to increasing User Commitment cancellation charges applies from that point.
7	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the <b>profile and timing of the fee</b> ? Please provide the rationale for your views.	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The move from the original flat £20k/MW fee to the lower, profiled fee proposal is an improvement, and the suggested rate of increase at 6-monthly intervals is sensible.</p>
8	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the <b>the Trigger Metric</b> ? Please provide the rationale for your views.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Whilst understanding the proposer's rationale for introducing the trigger metric, and agreeing that the proposed fee should lie dormant until a trigger point is reached, its execution here is problematic,</p> <p>In the present form, as noted previously, it appears to be a lump hammer rather than a scalpel, with the actions (or rather inactions) of others indiscriminately impacting upon everyone else in the queue.</p> <p>Several alternative approaches are mentioned in the discussion in the OP, the most interesting being applying a Trigger Metric by generation technology</p>

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		<p>(also in Potential Alternative 6). This would ensure that (say) a heavy prevalence of long lead time build projects would not impact projects that can be built more quickly.</p> <p>Additionally, Potential Alternative 3 proposes an ETYS Zone-based approach, which adds further refinement as a trigger (see Q18). This could also include generation technology, providing much more targeted Trigger Metrics.</p>
9	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding <b>the Trigger Threshold</b> ? Please provide the rationale for your views.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Similarly to the points noted in the response to Q8, we are concerned that a single trigger threshold value is not appropriate. The alternative discussed in the OP is for a capacity percentage, rather than an absolute MW value, is more appropriate. This would then lend itself more readily to a technology-based trigger as referenced in Q8.</p>
10	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the <b>Trigger Activation Governance</b> ? Please provide the rationale for your views.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>The governance proposal seems rather clunky, but allows for visibility, and reflection by both NESO and OFGEM.</p> <p>A rolling 5-year approach, coupled with a comparable mechanism to de-activate the PCF, would be an improvement.</p>

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11	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the <b>£/MW value of the fee</b> ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		The revised fee structure as now proposed, is an improvement upon the originally proposed £20k/MW.
12	Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding <b>safeguarding considerations</b> ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		No observations to make here
13	Do you agree or disagree with the current outline for <b>projects that would be within scope of the PCF</b> (Progression Commitment Fee)? Please provide your rationale.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		Appears to be sound, but we note that the impact on DNOs and transmission connected iDNO embedded generators from CMP448 is not yet fully understood by NESO, and this is clearly an important Issue for eclipse Power.



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14	Do you agree with the Proposer's approach to <b>demand projects</b> ? Please provide your rationale.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		<p>Rationale is that demand projects already subject to Final Sums Methodology. CMP417, if enacted, would extend User Commitment Methodology to all users too, and at that point the PCF might need extending to demand too. There are concerns about the inference that Final Sums is a good enough deterrent to prevent inaction in the demand queue, given that CMP417 was raised due to the perceived unfairness of Final Sums, which is a view we share.</p>
15	Do you agree with the <b>PCF</b> (Progression Commitment Fee) <b>scenarios</b> put forward by the Proposer? Please provide your rationale.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		<p>No observation to make</p>
16	Do you agree with <b>definition of Queue Health</b> put forward by the Proposer? Please provide your rationale.	<input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No
		<p>Effectively "Yes", but with reservations.</p> <p>Agree with the underlying intention of the queue health definition, but disagree with an absolute value of 6GW being encoded. A percentage-based volume metric would accommodate future changes, without the need</p>

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		<p>for further code modifications. Understanding the reasons for NESO disagreeing with a percentage is needed. A percentage can still be a volume metric, but just not an absolute one.</p> <p>Agree with the rationale expressed at various point in CMP448 that demand projects should be excluded presently.</p>
17	<p>Do you agree that the Proposal adequately takes into consideration the <b>interface with embedded and distribution connected projects</b>? Please provide your rationale.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>As noted in “Workgroup Considerations”, section xiii, more work needs to be done concerning transmission projects connecting via DNOs and IDNOs.</p> <p>Distribution projects have forward-looking milestones so inaction is less of an issue; however the present milestones are not fit for purpose and are often met later (planning submission in 2 months is often unachievable for larger projects) but progress is managed bilaterally with the customer. PCF would feel a bit blunt in these circumstances.</p> <p>If PCF is to be applied at distribution it must apply directly to the Developer, not the DNO/IDNO as the current User Commitment Methodology does.</p> <p>We are happy that this further engagement is taking place, and that there appears to be flexibility in accepting that some such projects may ultimately be exempt from the PCF (as discussed in “Potential Alternative 1”).</p>

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18	<p>Do you have any views on any of the <b>initial potential alternatives</b> considered by the Workgroup? Please indicate which ones you support or do not support and where possible please provide your rationale.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The Potential Alternatives supported below are not mutually exclusive, and would, we believe, be improvements upon the OP.</p> <p><b>PA1</b> – Exclude, from being liable for the PCF, all Embedded Projects for simplicity only (or it may also exclude Embedded Projects where an EIA is not required). <b>Support</b></p> <p><b>PA2</b> – Remove “replacement projects within six months to assess the MW capacity against the Trigger Threshold” – agree that MVP approach does not need this. <b>Support</b></p> <p><b>PA3</b> – Use of ETYS zones, coupled (indirectly) with generation technology, instead of a single national metric to assess PCF Trigger Threshold. Much more flexible than the “lump hammer” one size fits all approach it the OP. However, the proposal to apply the proposed 6GB threshold at ETYS Zone-level would be better served by using a %-based metric. <b>Support</b></p> <p><b>PA4</b> – discounted PCF if a customer self-terminates. Not clear if this adds value, and whether it would even work. If milestones are working correctly this shouldn’t be possible. <b>Don’t support.</b></p> <p><b>PA5</b> – Comparable to PA3, but using CP30 technology / geographical pots instead of ETYS Zones. Whilst interesting, this proposal would codify criteria from a single point in time (the CP30 Action Plan), which is not good practice. There are several additional refinements in this PA which look to be a little too complicated to</p>
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		<p>administer, for little additional benefit. The essence of this PA can be covered by PA3. <b>Don't Support.</b></p> <p><b>PA6</b> – Technology-specific Trigger Thresholds. Whilst believing that this would add more precision to the OP, the ETYS Zone approach in PA3 adds further refinement. <b>Don't Support.</b></p> <p><b>PA7</b> – Pause and align with revised M1 dates in Gate 2 offers. Not convinced that this helps achieve the results that the OP is seeking. <b>Don't Support.</b></p>