

Public

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 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 or cusc.team@nationalenergyso.com

Respondent details	Please enter your details	
Respondent name:	Charles Williams	
Company name:	Wind2 Limited	
Email address:	Charles.williams@wind2.co.uk	
Phone number:	Click or tap here to enter text.	
Which best describes your organisation?	<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 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*)

☐ **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*)

Public

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 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*

Public

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 facilitate the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:	
		Original	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
		We have a concern that the original proposal will not facilitate effective competition in the generation market and goes well beyond the original scope of CMP448. Our concern is that the proposed PCF will place a very large financial strain on developers at a very early stage of multi year development projects. We believe that the anticipated financial strain imposed on developers will be detrimental to meeting CP30, anti-competitive as it will have a greater impact on smaller less well capitalised developers and ultimately bad for consumers as developers will	

Public

		look to pass through additional costs in their offtake contracts. For these reasons we don't believe the Original Proposal meets objective b).
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>We support the urgent timeline and the intention to implement before Users have to sign Gate 2 Offers. We have a number of concerns about the impact of the very significant financial burden on developers, so our preference would be for amendments to the original proposal which address our concern. We have commented on the potential alternates and we note that they all have some merit in partly addressing our concerns.</p>
3	Do you have any other comments?	<p>We believe that the code modification is extending way beyond the initial purpose (to close a perceived loop hole in the code modifications to stop people speculatively obtaining and trading grid capacity) with likely significant consequences for developers. While its introduction may help deter some speculative grid applications, we feel that the knock on impact will be to act as a significant deterrent to development of good projects which would otherwise help meet the CP30 target. We fundamentally don't think the perceived benefit of CMP448 justify the likely significant impact on development of good projects and the likely impact on meeting CP30 targets. Our perception is that while NESO have developed CMP448 as a tool to stop people speculatively obtaining and trading grid capacity, the wider impact on achieving CP30 has not been properly considered. The achievement of CP30 relies to a large extent on having the right incentives for developers and investors to develop,</p>

Public

		build and operate large amounts of renewable generation and storage. Our view is that the proposed requirement for projects to provide PCF will significantly undermine the current risks and incentives that developers face.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the <u>Workgroup Consultation</u> Section)</p> <p><input checked="" type="checkbox"/> No</p> <p>As set out in our consultation response we would like to see Alternatives look into addressing the following issues:</p> <p>1. Timing – we’re concerned that projects with long dated connection offers will potentially be required to provide PCF for much longer than 2 years. We have suggested that in such cases the date for providing PCF should be calculated as 2 years before the project M1 milestone date.</p> <p>2. Trigger – the 6GW trigger is a very blunt mechanism and we would like alternate more targeted approaches to be explored through the existing Alternate proposals and/or introducing a trigger metric which includes the number of connection offers terminated as well as the GW threshold.</p> <p>3. User Commitment fee – we would like consideration be given to capping the aggregate value of User Commitment and the PCF. We note that this is proposed as Alternative 8.</p>
5	Do you agree with the Workgroup’s assessment that the modification does	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

Public

	not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	
--	---	--

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 the rationale for your views.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>We have a specific concern with the current CMP448 proposal, which is that for projects with connection offers after 2030, CMP448 will mean that they will have to submit planning applications earlier than they would wish, potentially risking that planning permission expiring before they have a grid connection, and have to fund PCF for much longer than 2 years. For example NESO have indicated that they expect to complete the proposed new north/south line in Wales ("PSNC") by 2037 or later. Developers are being encouraged to share their project development plans in mid Wales to help build the needs case for PSNC and many developers have made connection applications for their developments. We understand that it is known that there are 3-4GW of potential projects in mid Wales. If these projects had to pay the full PCF this would equate to a funding commitment of £30-£40m. If the PCF requirement is triggered in say 2027 then this PCF funding would have to be 10 years ahead of the connection date, noting that this date could slip. For projects with connection dates that are a long time in the future we would suggest that the</p>
---	--	---

Public

		<p>requirement to provide PCF is linked to the M1 milestone date calculated by backward looking from the connection date in line with CMP 376. The M1 milestone is backward calculated 4 years from the connection date, and we would suggest that PCF starts to be applied 2 years before the M1 milestone, which is 6 years before the connection date. So for the case of a 2037 connection date, for example, PCF would not be required until 2031.</p>
7	<p>Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the profile and timing of the fee? Please provide the rationale for your views.</p>	<p> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </p> <p>Our main concern is that the proposed PCF liability of £10,000/MW in addition to User Commitment, will put a significant financial strain on developers and renewable investors. We are a smaller developer which has actively been developing a portfolio of wind and solar projects since 2016. We currently hold connection offers for 14 onshore wind projects with a total connection capacity of 1180MW. Most of the projects have connection dates in the period 2030-2033. We also additionally have connection offers for a portfolio of 10 solar projects. If the PCF requirement is triggered then we will have to source funding of up to £11.8m for the windfarm connection offers alone which is clearly a very significant sum of money to raise. We feel very strongly that this financial burden will deter some, potentially many developers, particularly smaller developers, and this is likely to lead to good</p>

Public

		<p>projects being terminated, at a time when good projects should be supported to help achieve CP30. In order to address this concern we would ask the Work Group to consider options to lessen the financial impact.</p>
8	<p>Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding to the Trigger Metric? Please provide the rationale for your views.</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>We agree with the principle that the PCF should remain dormant until such time that “conditions within the Gate 2 connections queue exhibit themselves as problematic”. We would ideally hope that the PCF is never triggered. If it is triggered then our understanding is that the requirement to provide PCF will continue forever. We suggest that consideration is given to reviewing periodically whether the requirement to provide PCF can be rescinded.</p>
9	<p>Do you agree or disagree with the current design of the PCF (Progression</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

Public

	<p>Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Threshold? Please provide the rationale for your views.</p>	<p>The proposed Trigger Threshold of 6000MW, sized at 5% of the CP30 additional capacity, feels like a low threshold given historical churn on connection applications and the uncertainty involved in project development. Our feeling is that a much higher level would be appropriate given the major financial impact that the introduction of PCF will entail. It's possible that up to 50% of the Trigger Threshold could be met by one large offshore windfarm terminating its connection offer. What is the logic of imposing the financial penalty of PCF on all other projects in such a scenario, when you need to incentivise other projects to step up and help meet the CP30 target. We cannot stress enough how damaging we see the introduction of PCF as it will be very challenging for developers to fund PCF liabilities and it will inevitably cause developers to terminate development of some projects and may cause some to stop developing renewable projects.</p> <p>To address the potential problem of the Threshold being triggered by a few large projects, we suggest that the Trigger Threshold should be linked to the number of connection offers terminated as well as the capacity in MW of connection offers terminated. We also note that some of the Alternate proposals (3, 5 & 6) would help address this issue.</p> <p>Our concern is that once the Trigger Threshold is met then all Gate 2 offers going forward will be required to provide PCF. As noted above we would like to see a periodic review of the queue health to see if the PCF requirement can be rescinded. We would also like to see a more targeted approach,</p>
--	---	---

Public

		potentially along the lines outlined in Alternate proposals 3,5 & 6.
10	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Activation Governance ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The proposed trigger Activation Governance seems reasonable. We would say that the proposal to provide developers 3 months notice of implementation is not enough time to secure funds to pay PCF, particularly for smaller less well capitalised developers. We would suggest a minimum period of 6 months would be more suitable. We would stress the need for developers to be given a reasonable time period to raise the significant funds proposed. We also agree with the need for NESO to be transparent with relation to the status of the trigger being met so developers have as much time as possible to plan. One point we weren't clear on is how replacement capacity will be factored into the trigger activation.</p>
11	Do you agree or disagree with the current design of the PCF (Progression	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Public

	<p>Commitment Fee) in the CMP448 Original Proposal regarding the £/MW value of the fee?</p> <p>Please provide the rationale for your views.</p>	<p>We agree with the proposals set out in Alternate 8. We would like to see the PCF capped at the maximum of PCF and User Commitment.</p> <p>Our feeling is that the proposed £/MW value of the fee is too high and that it will create a deterrent to the development of good projects, because of the significant increase in development risk and funding requirement, which will negatively impact CP30.</p>
12	<p>Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding safeguarding considerations?</p> <p>Please provide the rationale for your views.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>We don't agree with the statement that the proposal has been designed on the premise that the £/MW value of the PCF should be low enough so that the cost of financing the PCF would not unduly impact a project's viability. We don't agree with the supporting analysis presented to the work group. We think the analysis overlooked the likely barriers to developers and their funders having to more or less double their development funding to pay for PCF. We also think the use of a security financing rate of 8% per annum underestimates the likely cost of this funding which we would expect to come from equity rather than debt. The theoretical analysis provided, takes no account of the practical reality that PCF will increase the cost of development by 30-50%, and developers will not simply be able to secure debt funding for this extra</p>

Public

		<p>cost as implied in the analysis. At the point PCF is required the project is in early stage development, at maximum risk and PCF funds will not be available from lenders.</p> <p>We have also raised concerns about projects with post 2030 connection dates which will potentially have to provide PCF for much longer than 2 years.</p>
13	<p>Do you agree or disagree with the current outline for projects that would be within scope of the PCF (Progression Commitment Fee)? Please provide your rationale.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>We note that some concerns were raised in the Work Group about embedded generation projects having different milestone timescales to transmission projects, and it seems that further consideration of these differences may be needed. We note that the Alternate 1 proposal addresses this.</p>
14	<p>Do you agree with the Proposer's approach to demand projects?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

Public

	Please provide your rationale.	Click or tap here to enter text.
15	Do you agree with the PCF (Progression Commitment Fee) scenarios put forward by the Proposer? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
16	Do you agree with definition of Queue Health put forward by the Proposer? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No We agree with the definition of Queue Health but we believe that the trigger level should be set at a higher level and that it should be more targeted as set out in Alternates 3, 5 & 6
17	Do you agree that the Proposal adequately takes into consideration	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Public

	the interface with embedded and distribution connected projects ? Please provide your rationale.	It seems that further work is needed in this area to look at differences between transmission and distribution connection offers. We note that Alternate 1 has made a sensible proposal to address different timelines with some embedded connection offers.
18	Do you have any views on any of the initial potential alternatives considered by the Workgroup? Please indicate which ones you support or do not support and where possible please provide your rationale.	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Our view is that all of the proposed initial potential alternatives have merit and would improve the CMP448 proposal. Our concerns about the proposed PCF is that the proposed PCF will place a very large financial strain on developers, it's not targeted and it is a blunt instrument to tackle a perceived potential problem. We believe that the anticipated financial strain imposed on developers will be detrimental to meeting CP30, anti competitive as it will have a greater impact on smaller less well capitalised developers and ultimately bad for consumers as developers will look to pass through additional costs in their offtake contracts.</p> <p>Looking at each of the initial potential alternatives raised, we have the following comments:</p> <p>Alt 1: We agree that the proposal does not consider the different milestone methodology for embedded generation projects and the</p>

Public

		<p>potential shorter timeframes for embedded generation projects. We agree with the logic that it doesn't make sense to require developers to provide PCF when the time to Milestone 1 is just a few months.</p> <p>Alt 2: We agree that the concept of considering replacement MW capacity when assessing the Trigger Threshold makes sense in theory, but it is difficult to foresee how this will play out in practice, and it adds a lot of complexity. It's also unclear whether this will work once the regular Gate 2 application window commences. We agree that a better, simpler solution would be to increase the Trigger Threshold of 6000MW.</p> <p>Alt 3: We think this alternate proposal has merit as it's a more targeted to where on the network there is a connection queue issue and seeks to impose the PCF only where the problem is.</p> <p>Alt 4: This alternate proposal has some merit by incentivising early termination of connection offers where the developer feels they won't be able to achieve Milestone 1, and it addresses an issue of there being no incentive beyond year 2. A discounted PCF liability would be welcome by developers. We note that the proposal works the opposite way to User Commitment where the amount that has to be secured is less than the liability at connection offer termination. Although we see that this proposal has some merit it doesn't address what we see as a larger problem, which is that developers are being asked to potentially fund several million pounds of PCF for a development pipeline of a few hundred MWs.</p>
--	--	---

Public

		<p>Alt 5: Similarly to Alt 3 we see merit in this alternative proposal as it is a much more targeted approach which avoids the blunt instrument of making everyone pay the proposed PCF. We also see some merit of aligning with the CP30 pots, as that's what NESO are ultimately trying to help deliver. We note that methodology of this proposal is still to be developed, and there are elements which we do not agree with, such as in particular 2. Extending the timeframe. We also note that the outline elements of this alternate proposal look quite complicated, which would be undesirable.</p> <p>Alt 6: Similarly to Alt 3 and Alt 5 we see merit in a more targeted approach to applying PCF and we see merit in doing that by technology.</p> <p>Alt 7: We support this proposal. We see merit in reducing the amount of time that PCF has to be provided to 1 year and to allow some time post Gate 2 offer to derisk planning study activities. We are also very concerned about the impact of CMP448 on projects with connection dates that are more than 7 years in the future where the Milestone M1 is calculated back from the date of connection (4 years pre connection date). Under the proposal these projects may be required to provide PCF security much earlier than 2 years before Milestone M1, so we like the fact that Alt 7 addresses that issue.</p> <p>Alt 8: We agree with the proposal to cap PCF liability at the maximum of the sum of PCF and User Commitment. This element was included in the original CMP 448 proposal and we think it</p>
--	--	--

Public

		<p>should be reinstated. We also very much agree with the comments about how to value PCF, and that it is more appropriate to value using a higher discount rate.</p>
		<p>Click or tap here to enter text.</p>