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Code Administrator Meeting

Summary

Workgroup Meeting 12: CMP448 Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

Date: 19/05/2025

Contact Details

Chair: Joseph Henry, joseph.henry2@nationalenergyso.com

Proposer: Ash Adams, ashley.adams2@nationalenergyso.com

Key areas of discussion

The Chair outlined the meeting agenda, which included a review of the query and action log, discussing the alternative proposal raised by EDF Renewables, alternative vote, review the Consumer impact analysis, legal text review and a review of the Workgroup report. legal text and reviewing the draft Workgroup Report.

Action and Query Log

The Workgroup reviewed the action and query log and closed off actions which had been completed.

EDF Renewables Alternate Proposal

EDF Renewables presented their alternate proposal which seeks to introduce a maximum cap on the PCF, aiming to mitigate the punitive impact on larger scale projects, particularly offshore wind farms. The proposed cap would be set at 10% of the average development expenditure of an offshore wind farm up to consent submission. To derive the cap value, a survey would be conducted by NESO with the support of trade associations, and the cap value would be periodically updated in synchronisation with the review of the trigger threshold.

The Workgroup discussed the alternative proposal and raised the concerns about competition, data validation, and the practicality of the proposed cap.

- A Workgroup member suggested the proposal might be anti-competitive and should apply to all technologies, not just offshore wind.

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- Another Workgroup member questioned the validation of average development expenditure data and the potential for system gaming. Brian proposed a simpler mechanism, such as setting an absolute cap
- A Workgroup member questioned the fairness of applying the cap based on offshore wind development expenditure to other technologies like solar.

Some Workgroup members also had challenges regarding Implementation, including the need for clear definitions and the role of Ofgem.

Alternative Vote

The Workgroup voted on the EDF Renewables alternate proposal, with the majority voting against it (17 VOTES against and 4 votes in favour). The Chair confirmed that the alternative would not become a WACM.

Consumer Impact Analysis

The Proposer and NESO Consultant SME presented the consumer impact analysis to the Workgroup, outlining potential benefits and costs of the PCF, and discussing the methodology and assumptions used in the analysis.

They explained that the analysis was based on modelling the potential direct impact of the PCF on developer savings, including assumptions on financing rates and connection timelines. Potential benefits included developer savings, network operator savings, CO2 reductions, and increased economic output, while costs included the financing of the PCF itself and compound interest payments until connection.

Several scenarios were presented to show the potential net benefit or cost to consumers. Some Workgroup members raised concerns and provided feedback on the assumptions, methodology, and potential benefits, suggesting that the analysis might be overly optimistic and not reflective of practical realities. The SME provided clarifications on the analysis, explaining the conservative estimates and the range of scenarios considered, and Workgroup members provided feedback on how the analysis could be improved.

Legal Text Review

The Workgroup reviewed the legal text changes, focusing on definitions, the PCF activation metric, and data flows. Changes to definitions, including milestone one and the PCF activation metric, were made to ensure clarity and coverage for embedded generation. The PCF activation metric was updated to clearly define scenarios that contribute to the metric, including terminations by NESO and DNOs. Detailed provisions

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for data flows were added to ensure NESO has the necessary information to administer the PCF. Workgroup members provided feedback and discussed potential clarifications and improvements.

- **PCF Activation Date:** The Workgroup discussed the starting point for the PCF activation date, with one Workgroup member suggesting it should begin from the PCA expectation date. The NESO legal SME agreed with this suggested, noting that the initial high-level formula calculations to the PCF remain unchanged, and further detailed calculations align with feedback received.
- **Cancellation Charge Formula:** The NESO Legal SME explained the changes made to the cancellation charge formula after the activation date, aligning with feedback to make it more specific. Workgroup members raised questions about the defined terms used in the formula and also questioned the use of bold text for defined terms. It was agreed to remove bold text where it is not necessary.
- **DNO Information Flow:** The NESO legal SME explained the need for additional provisions in the DNO information flow to cover situations where NESO lacks the necessary information to set securities for embedded generation contracts. They detailed the process for setting these securities, including issuing new cancellation charge statements when NESO does not have the required information.
- **PCF Activation Threshold Review:** The Workgroup discussed the process for reviewing the PCF activation threshold at the end of each metric period. A Workgroup member raised concerns about the potential for the threshold to remain unchanged, suggesting that the review process should ensure changes are made if necessary.
- **PCF Activation Metric Calculation:** The NESO legal SME outlined the changes to the PCF activation metric calculation, which now includes periods for the DNOs to provide information and the inclusion of hybrid and staged projects to ensure comprehensive coverage.
- **PCF Liability for Embedded Projects:** The NESO legal SME explained the provisions for embedded projects with more than one distribution connection agreement, ensuring that the PCF liability is only zero for the exempt project.
- **PCF Information Exchange:** An overview of the new information exchange requirements for the PCF, highlighting the obligations for DNOs to provide information on projects in the queue, new construction agreements, and changes in circumstances.

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Next Steps

- The next Workgroup meeting will be held on 29 May which will include a review of the Workgroup report, Workgroup Vote and legal text.

Actions

For the full action log, click [here](#).

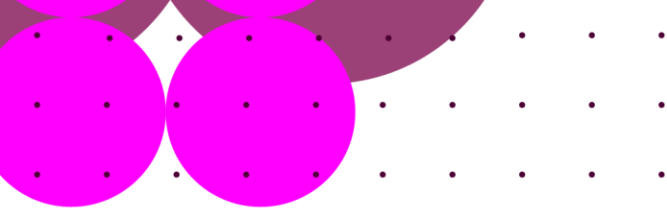
4	WG1	AA	NESO to clarify if the new regime will be reflected and operated through the connection portal.	WG11	Closed
8	WG2	AA	Produce further scenarios on when the PCF is triggered and the timeframe between the acceptance signature and the counter signature	WG13	Open
15	WG6	JH	To revisit slide 10 of the pack, adjust and clarify with Workgroup.	WG11	Closed
24	WG7	AA	NESO to provide consumer impact analysis in line with Query No 22.	WG12	Closed

Attendees

Name	Initial	Company	Role
Joe Henry	JH	NESO	Chair
Ren Walker	RW	NESO	Tech Sec
Ash Adams	AA	NESO	Proposer
Andrew Allan	AAL	RWE	Workgroup Member
Amy - Isabella Wells	AIW	NGET	Workgroup Member
Andrew Yates	AY	Statkraft	Workgroup Member
Barney Cowin	BC	Bluefloat Energy/Nadara Partnership	Workgroup Member
Brian Hoy	BH	ENWL	Workgroup Member
Catherine Cleary	CC	Roadnight Taylor	Workgroup Member

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Claire Hynes	CH	RWE Supply and Trading GmbH	Workgroup Member
Rosemary McInness	RMI	ScottishPower Renewables	Workgroup Alternate
Dennis Gowland	DG	Research Relay Ltd	Workgroup Member
Andy Colley	AC	SSE Generation	Workgroup Alternate
Gareth Williams	GW	SP Energy Networks	Workgroup Member
Grahame Neale	GN	Lightsource BP	Workgroup Member
Grant Rogers	GR	Qualitas Energy	Workgroup Member
Jack Purchase	JP	NGED	Workgroup Member
Jamie McDougall	JMD	SP Energy Networks	Workgroup Member
James Jackson	JJ	Orsted	Workgroup Member
Joe Colebrook	JC	Innova	Workgroup Member
Kimbrah Hiorns	KH	EDF Renewables	Workgroup Alternate
Nina Sanghera	NS	Drax	Workgroup Member
Robin Prince	RP	Island Green Power	Workgroup Member
Rob Smith	RS	ENSO Energy	Workgroup Member
Charles Williams	CW	Wind2	Workgroup Observer
Euan Norrington	EN	SSE Renewables	Workgroup Observer
Kyle Smith	KS	Energy Networks	Workgroup Observer
Jamie Hardy	JH	Accenture	SME
Daniel Ffrench Mullen	DFM	Ofgem	Authority Representative



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