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

I wish my response to be:

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(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)

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;

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- 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 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	Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:
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	and/or any potential alternatives better facilitate the Applicable Objectives versus the current baseline?		
		Original	<input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
		<p>(A) Agree in principle that anticipating possible future problems is an efficient discharge of obligations, but consider that the Original has a number of drawbacks. These include scope for gaming and unintended consequences. There is also the potential to encourage premature planning applications, so increasing the burden on planning authorities. The logic for project replacement within the short time before 2030 isn't clear – potential alternative 2 addresses this. For reasons expanded on in Q13, inclusion of all embedded generators that require transmission impact assessment is neither proportionate or efficient – potential alternative 1 addresses this. Potential alternative 4 improves the incentive for developers to voluntarily exit the queue.</p> <p>(B) Neutral</p> <p>(C) Neutral</p> <p>(D) Negative. Administering the PCF for embedded generators that may be as small as 50kW in some regions, and where the M1 milestone plus tolerance may be as short as five months, will not be efficient. Alternative 1 addresses this.</p>	
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		Broadly yes, but do not support the scope which includes all embedded projects requiring TIA.	

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3	Do you have any other comments?	Click or tap here to enter text.
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 Workgroup Consultation Section) <input checked="" type="checkbox"/> No Click or tap here to enter text.
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

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 The duration is limited to aspects that are wholly within a developer's control.
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	the rationale for your views.	
7	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.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>In broad agreement, but note that potential alternative 4 (which gives a discount to developers who voluntarily withdraw) provides a better incentive to developers and improves on the Original.</p>
8	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.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Not convinced by the project replacement logic. An alternative interpretation is that projects which can be replaced after termination have in fact been actively blocking the replacement project(s) and so <u>should</u> count towards the metric, whereas projects which cannot be replaced have not been blocking others and so are less important. Note also that the implementation date for this mod is only four years before 2030, so the delay of up to 12-months for project commissioning after replacement is significant in</p>

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		relation to 2030 targets. Our view is that project replacement should not be considered in calculation of the metric. This may require the trigger threshold to be reassessed.
9	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Threshold ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Broadly yes. We note that p12 states the 6GW figure is "the approximate equivalent of 5% of the additional MW capacity (that is capacity not already installed) that is required to be connected before the end of 2030 in order to meet CP30 targets", which is a fixed value, whereas the percentage approach is a percentage of the Gate 2 queue volume, which is not yet known and will vary with time. The percentage approach would require further work/legal text to define the Gate 2 queue volume and the timestep for calculation and would require further modelling to estimate the volume of the Gate 2 queue at inception and the percentage value to be adopted.</p>

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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 type="checkbox"/> Yes <input type="checkbox"/> No <p>Undecided. We agree with the proposition that a five-year rolling calculation of the metric would provide a more stable assessment and would give industry at large a better view of queue health.</p> <p>There is however a scenario not described in the report but which needs to be considered for the original and the rolling calculation method: what happens in the unlikely event that the threshold is reached but the final decision is not to activate the PCF? Under the original, is the trigger metric reset to zero at that point? If not, can NESO/Ofgem subsequently reverse the decision not to activate, or is it binding until the next five-year period? How would this be handled by the rolling calculation method?</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 £/MW value of the fee ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		If the mod goes ahead, it will need reasonable teeth to be effective.
12	Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding safeguarding considerations ? Please provide the rationale for your views.	<input type="checkbox"/> Yes <input type="checkbox"/> No
		Neutral
13	Do you agree or disagree with the current outline for projects that would	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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	<p>be within scope of the PCF (Progression Commitment Fee)? Please provide your rationale.</p>	<p>No. The proposal is based on the premise that the longest period in the queue before a milestone is from contract up to M1 and is measured in years, but this is not the case for distribution connections, where (unless an EIA is required) M1 falls due two months after contract. There is also a tolerance period which depends on connection voltage (65 days for HV, 130 days for EHV & (in England & Wales) 132kV), so failing milestone M1 can result in project termination after 5 or 8 months. The PCF is unlikely to shorten the timescale for termination of such projects. There is also an issue of proportionality. In England and Wales, TIA is required for projects above 1MW. However, in mainland Scotland this is 200kW and in the Isles just 50kW. Projects of this capacity are not likely to be significant in blocking progress to 2030 targets and the cost and effort of administering the PCF is likely to outweigh any benefit.</p>
14	<p>Do you agree with the Proposer's approach to demand projects? Please provide your rationale.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>

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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 In similar fashion to slides 1 & 2, it would be useful to see the scenario where a project has 5 months to milestone M1. This corresponds to a distribution connection which does not require an EIA and has 2 months plus 65 days cumulative tolerance to meet M1.
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 Click or tap here to enter text.

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17	<p>Do you agree that the Proposal adequately takes into consideration the interface with embedded and distribution connected projects?</p> <p>Please provide your rationale.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>No. See the response to Q13. The report only describes forthcoming “engagement” and “liaison” with TOs/DNOs rather than substantive discussions undertaken when preparing the mod. It should not be necessary to go and talk to DNOs at this late juncture – it is disappointing that NESO, as whole system operator, do not seem to have been aware of the implications for embedded generation at the outset and given due consideration to the issue in the Original proposal.</p>
18	<p>Do you have any views on any of the initial potential alternatives</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

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	<p>considered by the Workgroup? Please indicate which ones you support or do not support and where possible please provide your rationale.</p>	<p>We fully support alternative 1 (exclusion of some embedded generation) for the reasons given in Q13. Also support alternative 2 for reasons in Q8.</p> <p>Alternative 4 (discount on self-termination) is an enhancement of the original.</p> <p>Neutral as yet on 3, 5 & 6 which consider different approaches to geographic and/or technology specific zones/queues. Further work would be required to assess the impact.</p> <p>Do not support 7 & 8, both of which would dilute the effect of the mod.</p>
		<p>Click or tap here to enter text.</p>