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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:	Jonathan Whitaker	
Company name:	Scottish Hydro Electric Transmission plc	
Email address:	Jonathan.Whitaker@sse.com	
Phone number:	07389 755172	
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 checked="" 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 type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D

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	<p>facilitate the Applicable Objectives versus the current baseline?</p>	<p>A – Positive</p> <p>We agree that the Original Proposal better facilitates Objective A than the baseline. We support the broad policy intent of the proposals. Should the PCF be activated (due to a large amount of project capacity failing to progress appropriately in the future connections queue) it could incentivise unviable projects to exit the queue. This could allow projects that are more ready to connect to be able to progress quicker.</p> <p>B – Neutral</p> <p>This modification will facilitate effective competition by implementing a framework that could (if activated) incentivise unviable projects to leave, and disincentivise unviable projects from joining the connections queue.</p> <p>Although the proposal could improve the competition element, it could lead to unintended consequences, for example potentially disadvantaging some viable projects. In particular, smaller and community projects, as the overall increase to financial commitments will have a relatively larger impact on them.</p> <p>C – Neutral</p> <p>D – Positive</p> <p>We agree that this modification better facilitates Objective D than the baseline.</p> <p>Should the PCF become active, the PCF could incentivise unviable projects to leave the connections queue. Should this capacity then be reallocated to a</p>
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		<p>more viable project (or projects) it would allow more efficient utilisation of assets and investment.</p> <p>The PCF could disincentivise unviable projects from joining the connections queue. As well as potentially increasing efficiency in TO investment planning, this would promote efficiency in the administration of the CUSC by reducing inefficiencies associated with administering applications for unviable projects.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes, in general we support the proposed implementation approach. Whilst we appreciate there is currently some uncertainty regarding the dates associated with the Gate 2 to the Whole Queue one-off exercise, we would welcome additional clarity around when the intended implementation date is for the PCF. We note that in the executive summary on page 4 the Workgroup Consultation says, 'It is proposed to be implemented prior to Users having to sign (to accept) their project Gate 2 Offer'. On page 50 it then states, 'The intention is that this proposal is implemented in advance of Gate 2 Offers being issued by NESO'. We believe that the latter is the intention, however clarity would be appreciated.</p> <p>It would also be useful to clarify how the provisions of the proposal are to be included in Gate 2 Offers (if implementation is before Gate 2 Offers are issued by the NESO).</p> <p>As this modification is due to be implemented at a time of substantial industry reform and change, work will be required to ensure that the proposal is clear and</p>

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		industry understand it ahead of implementation. As the modification progresses, a plan for communications with industry and the development of relevant guidance documents will be required.
3	Do you have any other comments?	No.
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	<input type="checkbox"/> Yes <input type="checkbox"/> No
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	Commitment Fee) in the CMP448 Original Proposal regarding the duration of the fee? Please provide the rationale for your views.	<p>We agree with the duration of the fee application being from the project Gate 2 Offer acceptance to the project achieving Milestone 1. Whilst there may be merit in a PCF applying beyond M1 (as it was in the previous version of the NESO proposal), we understand and support the rationale that Gate 2 Offer acceptance to M1 is the longest of the milestone time periods and prior to M1 a developer has more control over project progression.</p> <p>We are supportive of the PCF applying from Gate 2 offer acceptance. If activated, this would mean projects would be subject to securities on entering the connections queue. PCF Security requirements being applied to projects from Gate 2 offer acceptance would act to disincentivise unviable projects from joining the connections queue.</p>
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.	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We agree with the amendment from a flat fee (as it was in the previous version of the NESO proposal) to a profiled fee. A progressively increasing profiled fee will act as a better incentive for unviable projects to exit the connections queue. The 6 monthly cadence of the progressions makes sense as it aligns with existing CUSC security arrangements.</p>

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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>	<div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>On balance we support the PCF being dormant and activated if there is evidence it is required. We believe the 'trigger metric' proposal is appropriate as it allows the new connections process to embed and allows time to understand whether the PCF is necessary.</p> <p>The Original Proposal for the trigger metric is that any project MWs that are subsequently replaced by another project (or projects) with a connection date within 12 months of the connection date of the initial (terminated) project, will be excluded from the metric. We ask for clarity that NESO will also exclude project MWs that are subsequently replaced by another project (or projects) with a connection date <i>anytime on or before</i> the connection date of the initial (terminated) project, from the trigger metric (i.e. projects with a connection date earlier than the 12-months noted above) .</p> <p>The trigger metric is complicated, especially the MW replacement element of the solution, and there is uncertainty of how this will work across the embedded interface. We understand that the NESO are setting up a workgroup with DNOs to work through how the trigger metric data exchange processes will work (and other elements of the solution) and encourage this work to continue at pace. Without the detail of how this will work in practice, it is difficult to comment further on the viability of the trigger metric design.</p>
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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 type="checkbox"/> Yes <input type="checkbox"/> No <hr/> <p>We do not have any comments on the Trigger Threshold.</p>
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 <hr/> <p>We agree that there should be NESO and Ofgem decisions on activating the PCF, should the trigger threshold be met. This will allow for a manual review and sense check. For example, the trigger threshold could be met due to a small number of large projects exiting the queue for reasons completely unrelated to project viability. Trigger activation governance will safeguard against the PCF being activated for reasons unrelated to 'queue health'.</p>
11	Do you agree or disagree with the current design of the PCF (Progression	<input type="checkbox"/> Yes <input type="checkbox"/> No

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	Commitment Fee) in the CMP448 Original Proposal regarding the £/MW value of the fee ? Please provide the rationale for your views.	We agree that the fee should be based on a £ per MW basis as this means that the liability scales appropriately with the size of the project subject to the PCF.
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 The Original Proposal for the PCF could disadvantage smaller or community projects and unduly impact their viability. We believe there should be consideration to ensure that smaller and community projects are not unduly detrimentally impacted by the PCF.
13	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.	<input type="checkbox"/> Yes <input type="checkbox"/> No We agree with the current outline for projects within scope of the PCF. It is appropriate that all projects that secure on the basis of the CUSC Section 15 "User Commitment Methodology" are subject to the PCF.
14	Do you agree with the Proposer's approach to demand projects ?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	Please provide your rationale.	We note NESO's rationale for not including demand projects at this time. We encourage the NESO to consider broadening the application of the PCF to all Users if CMP417 is approved, and User Commitment is extended to all Users, to ensure that financial incentives are appropriate for all Users between a project acceptance of its Gate 2 Offer and M1.
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 We generally agree with the scenarios set out. To add value and to avoid the risk of misinterpretation, we believe that the addition of supporting narrative would be helpful.
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 The proposer's definition is based on the relative prevalence of unviable or stalled projects in the connections queue (i.e. the Trigger Metric). This is suitably aligned with the defect identified, 'the existing framework does not provide a sufficient financial incentive for developers to reflect on the viability of their projects in a regular and timely manner'.
17	Do you agree that the Proposal adequately takes into consideration the	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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	<p>interface with embedded and distribution connected projects?</p> <p>Please provide your rationale.</p>	<p>As indicated earlier in our response, we note that there is uncertainty of how the PCF will work across the embedded interface, for distribution connected projects. We understand that a separate workgroup involving the DNOs is being set up to work through the detail and we encourage NESO to work at pace to address this uncertainty.</p>
18	<p>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>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>