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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:	Lawson Steele	
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Which best describes your organisation?	<input type="checkbox"/> Consumer body <input checked="" type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input checked="" 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 type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D

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	facilitate the Applicable Objectives versus the current baseline?	Click or tap here to enter text.
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Overall, we do not support the proposed implementation approach for the PCF. The rationale is that the approach is too punitive for large projects with long lead times and does not provide sufficient notice or flexibility for developers to make informed decisions. We also disagree with the principle of putting in place a "holding modification" that can be implemented by NESO based on a metric which is set in advance. This subverts the CUSC Modification process and the principle of engaging User on modifications to the CUSC.</p>
3	Do you have any other comments?	We do not understand how this modification meets the principle of charges being "cost reflective", implementation should only occur if NESO can demonstrate that the charge reflects the cost imposed.
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 <p>Click or tap here to enter text.</p>
5	Do you agree with the Workgroup's assessment that the modification does not	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	Based on the information available, the Workgroup's assessment that CMP448 does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions appears to be reasonable.
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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 type="checkbox"/> No
		Overall, disagree with the design of the PCF. However, if CMP448 is approved, it is more appropriate for the fee to be applicable from the Gate 2 offer to M1, rather than extending through to M7, as this falls within the developer's control.
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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		While acknowledging that the revised proposal is more palatable than the previous proposition of £20k/MW, the fee remains highly impactful. It is excessively punitive for large-scale projects, which inherently involve higher capacities and financial commitments. This disproportionate impact can deter investment in large-scale renewable projects, crucial for meeting clean power and net zero targets.

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		To address this, the PCF should be capped at a certain MW threshold or profiled in some way (e.g. a reducing charge per MW above a certain amount). This would ensure that developers are incentivized to progress their projects timely without being unduly penalized for the scale of their operations. A capped fee structure would provide a more equitable approach, balancing the need for timely project progression with the financial realities of large-scale developments.
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.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>The Trigger Metric is too rigid and does not account for the unique challenges and timelines of different projects. This inflexibility can unfairly penalize projects that may require more time to reach certain milestones due to their complexity or innovative nature.</p> <p>By imposing a fee based on the Trigger Metric, the PCF may discourage developers from pursuing innovative or experimental projects that have longer development cycles. This could stifle creativity and hinder the advancement of new technologies in the energy sector.</p>
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	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>The Trigger Threshold, set at a cumulative total of 6,000MW, involves numerous assumptions and estimations about the future Gate 2 connections queue. The need to estimate project composition,</p>

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	provide the rationale for your views.	<p>maturity, connection dates, and simulate attrition and replacement rates adds layers of uncertainty and administrative burden.</p> <p>The Trigger Threshold is designed to be sensitive enough to be triggered quickly if there is a high prevalence of project non-progression. This can be punitive to developers, especially those with innovative or high-risk projects that may require more time to reach certain milestones. Imposing a fee based on the Trigger Threshold can place a significant financial strain on developers, particularly smaller entities or those with limited resources.</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.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>The overall governance framework for activating the Trigger Threshold seems inappropriate. Whilst it provides a structured approach to managing the connections queue and ensures that there is a clear process in place for determining when the Trigger Threshold has been met, we do not see why this needs to be prepared ahead of need. NESO should bring forward a CUSC Modification, progressed on an urgent basis, when or if there is a need for this mechanism.</p> <p>The transparency in communicating when the Trigger Threshold has been reached is supported. However, the three-month notice period provided to developers once the Trigger Threshold has been reached is not sufficient. Developers need more time to make informed decisions about their projects, especially</p>

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		given the complexities and financial implications involved. A longer notice period would allow developers to better assess their options and take appropriate actions without being rushed.
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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>The value of the PCF is particularly punitive for large projects with long lead times. These projects often require extended periods to reach certain milestones due to their complexity and scale. Imposing a high fee can unfairly penalize these projects, discouraging developers from pursuing significant and impactful initiatives.</p> <p>To address these concerns and if a PCF is necessary, the MW should be capped to ensure that the fee does not disproportionately impact large projects. A capped MW figure would provide a more balanced approach, allowing for the progression of both small and large projects without imposing excessive financial penalties on developers.</p>
12	Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding safeguarding considerations ? Please provide the	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>We understand that this question relates to "safeguarding" smaller projects. The concern is that large projects, developed by smaller or independent developers can be disadvantaged and this has not been taken into account.</p>

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	rationale for your views.	
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 checked="" type="checkbox"/> No <p>The current outline for projects in scope of the PCF is too broad and does not adequately differentiate between projects of varying sizes, complexities, and developers. This broad scope can unfairly penalize projects that may require more time to reach certain milestones due to their unique challenges. To address these concerns, the scope of the PCF should be more differentiated, taking into account the specific context and characteristics of each project. This would ensure that the fee is applied more fairly and effectively, without disproportionately impacting certain types of projects.</p>
14	Do you agree with the Proposer's approach to demand projects ? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Agree with the Proposer's approach to not include demand projects in the scope for the PCF.</p>
15	Do you agree with the PCF (Progression Commitment Fee) scenarios put forward	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	by the Proposer? Please provide your rationale.	While the scenarios put forward by the Proposer are useful for understanding the potential impacts of the PCF, they do not account for all project situations. The diversity and complexity of projects in the connections queue require a more nuanced approach to ensure fairness and effectiveness.
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 Agree overall with the definition of Queue Health put forward by the Proposer. However, a percentage figure may be better than the fixed 6GW in the future and will need to be assessed on an ongoing basis. Additionally, agree with the decision not to include demand projects in the definition.
17	Do you agree that the Proposal adequately takes into consideration the interface with embedded and distribution connected projects ? Please provide your rationale.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No More work is needed to understand how this impacts on embedded customers and distribution businesses, especially transmission connected IDNOs.
18	Do you have any views on any of the initial potential alternatives	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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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>Reviewed the initial potential alternatives considered by the Workgroup and supports Potential Alternatives 1, 6 and 7 in particular. The rationale for these views is as follows:</p> <ul style="list-style-type: none"> - Potential Alternative 1: We would support removing embedded projects from the proposal until the ENA guidance for Queue management is updated and there is a clear basis to understand how this will impact on embedded customers, DNOs and Transmission connected IDNOs. - Potential Alternative 6: This alternative provides a balanced approach that addresses the key concerns of both developers and the connections process. It offers a more flexible framework that can accommodate the diverse needs of different projects, ensuring fairness and efficiency. - Potential Alternative 7: This alternative introduces a capped MW figure, which helps to mitigate the financial strain on large, long lead time projects. By capping the MW, it ensures that the Progression Commitment Fee (PCF) does not disproportionately impact these projects, promoting a more equitable approach. <p>All these alternatives offer practical solutions that enhance the overall effectiveness of the PCF while addressing the specific challenges faced by developers. They strike a balance between maintaining queue health and supporting the progression of viable projects.</p>
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