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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:	Khush Patel	
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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 checked="" 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*)

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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 type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D

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	facilitate the Applicable Objectives versus the current baseline?	<p>We do not believe that the Original Proposal has the potential to better facilitate the applicable CUSC Objectives.</p> <p>When considering the broader TMO4+ reforms, it is still uncertain whether the defect identified by NESO – where projects in the new Gate 2 queue fail to progress but remain – will persist after implementation of CMP448. While we appreciate the detailed modelling, scenarios, and assumptions provided, these are based on pre-TMO4+ data and inherently subjective forecasts. We believe it would be more prudent to wait for actual progression data from 2026 and 2027 to assess the necessity of a Progression Commitment Fee (PCF).</p> <p>In our view, implementing the PCF could result in unintended consequences that could hinder progress towards achieving the ambitious CP2030 targets. Specifically, we believe that the barrier to entry created by the PCF will discourage new connections.</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>TMO4+ is already a complex set of reforms, adding the PCF to the mix adds an additional layer of complexity and administrative burden in the context of trying to meet very ambitious CP2030 targets.</p>
3	Do you have any other comments?	No
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 Workgroup Consultation Section)</p> <p><input checked="" type="checkbox"/> No</p> <p>Click or tap here to enter text.</p>

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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
		We have no specific views.

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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		While we disagree with the PCF, if it were implemented, we believe that the proposed duration of the fee (Gate 2 offer acceptance to meeting the M1 Consent Application milestone) is reasonable, as it represents the first queue management milestone that is within a 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
		The proposed profile fee (£2,500 per MW to £10,000 per MW) appears excessive and is likely to impose a greater burden on smaller developers if the PCF is activated, given they are likely to have lower financial flexibility. Additionally, requiring large projects to secure potentially millions in funding for the PCF raises concerns, especially given the current levels of

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		uncertainty in the market, driven by regulatory changes including TMO4+ and strategic network planning.
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>We disagree; the Trigger Metric as defined by NESO is a measure of queue health. However, since projects that exit the queue but are subsequently replaced within a set time limit do not count towards the Trigger Metric, means that large and / or projects of certain technologies, which are hard to replace count disproportionately towards the Trigger Metric, as they are not easily replaceable.</p> <p>Certain technologies with long lead times such as interconnector and OHA projects should have a longer replacement time, to account for differences in developing such projects to meet Gate 2 criteria and to help facilitate delivery of CP2030 objectives.</p> <p>Given the fixed 5-year metric period, Gate 2 Projects with connection dates between 2031 and 2035 should not be considered as part of the Trigger Metric, as these would be unfairly penalised with PCF securities / costs and termination costs (if applicable).</p>
9	Do you agree or disagree with the current design of the PCF (Progression	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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	Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Threshold ? Please provide the rationale for your views.	We disagree, the Trigger Threshold of 6GW of projects exiting the queue before hitting and without subsequent replacement, can easily be met by a small number of large projects failing to meet M1 and does not take account of the nuances of different technologies used as part of the GB energy market.
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>We disagree with NESO's current approach of making a recommendation while leaving it to Ofgem to decide whether to activate the Progression Commitment Fee (PCF) once the Trigger Threshold is met, without input from the industry. Instead, Ofgem and NESO should provide a clear rationale for their decision to activate or not activate the PCF. If the PCF is activated, it should trigger a consultation process that allows the industry to formally present its views to Ofgem, enabling them to reconsider their decision based on this feedback.</p>
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.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>While a ramping figure is a sensible approach, as it creates an incentive for developers with dead projects to exit the queue early. However, if a project is facing issues and a ramping fee is added on top it may incentivise a potentially viable project to exit the queue early.</p> <p>This could discourage investment and unnecessarily hinder progress towards achieving CP2030 targets.</p>

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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 We have no specific views on this.
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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No The proposed projects that would be in scope of the PCF is reasonable.
14	Do you agree with the Proposer's approach to demand projects ? Please provide your rationale.	<input type="checkbox"/> Yes <input type="checkbox"/> No We have no specific views on this.
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 we disagree with the PCF, the scenarios presented effectively illustrate the different ways it will operate.
16	Do you agree with definition of Queue Health put forward by the Proposer? Please provide your rationale.	<input type="checkbox"/> Yes <input type="checkbox"/> No Refer to Questions 8 and 9
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 type="checkbox"/> No We have no specific views on this.
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.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No In our opinion, none of the alternatives change our assessment that the applicable CUSC objectives are better facilitated without this change.

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