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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:	Helen Stack	
Company name:	Centrica	
Email address:	helen.stack@centrica.com	
Phone number:	07979 567785	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" 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 type="checkbox"/> Other

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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*)

☐ **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:

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- 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 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

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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 facilitate the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:
		Original <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D
		<p>A – efficient discharge of Licencee obligations</p> <p>The Proposal would help NESO act quicker to address issues with queue health, if non-viable projects risk blocking the connection of the readier and more viable ones needed to contribute to net zero targets.</p> <p>B – facilitating effective competition</p> <p>The Proposal will allow NESO to deploy the PCF as an additional tool to speed up the connection of viable projects, thereby facilitating competition in electricity generation.</p> <p>C – Electricity Regulation compliance etc</p> <p>Neutral.</p> <p>D – efficiency in implementation and administration of CUSC arrangements</p>

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		If triggered, by encouraging early self-removal of non-viable projects, the Proposal will allow relevant Licensees to focus resources on progressing the connections of viable, ready and needed projects.
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No We agree CMP448 should be in place by the time NESO starts issuing the 'whole queue to new queue' Gate 2 Offers around the end of 2025.
3	Do you have any other comments?	In our response to NESO's November 2024 Call for Input on the design of a financial instrument we suggested that any fee should apply 12 months after Gate 2 offer acceptance. This was to allow a period for developers to sell on the project and for it to be de-risked. That is still our preferred position although we recognise the stepped design of the fee in this Proposal is helpful.
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 <u>Workgroup Consultation</u> Section) <input checked="" type="checkbox"/> No Click or tap here to enter text.

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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

Specific Workgroup Consultation questions

6	Do you agree or disagree with the current design of the PCF 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
		Agree. We agree with NESO's rationale that CMP448 targets the period where unviable projects are most likely to be able to persist in the connections queue, i.e. without being subject to other incentives to progress or leave.
7	Do you agree or disagree with the current design of the PCF in the	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	<p>CMP448 Original Proposal regarding the profile and timing of the fee? Please provide the rationale for your views.</p>	<p>Agree. Although, we would still have preferred the fee to start 1 year after signing the Gate 2 offer to allow time for re-sale and/or de-risking, as per our response to the Call for Input.</p> <p>We see merit in the fee stepping up every six months. This gives the developer an incentive to re-consider cancelling vs remaining in the queue every six months.</p>
8	<p>Do you agree or disagree with the current design of the PCF in the CMP448 Original Proposal regarding to the Trigger Metric? Please provide the rationale for your views.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We think this is acceptable design. It will be reasonable hard to trigger as we expect there to be sufficient replacement projects.</p> <p>Given the Trigger Metric is cumulative, the Proposer should clarify what happens if a M1 termination was successfully challenged. Would those MW be removed from the cumulative figure?</p>
9	<p>Do you agree or disagree with the current design of the PCF in the</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

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	<p>CMP448 Original Proposal regarding the Trigger Threshold? Please provide the rationale for your views.</p>	<p>Tend to agree.</p> <p>Risks of skewing the threshold</p> <p>There is a risk that a small number of high MW projects could skew the calculation, especially if they were owned by the same company. However, that should be mitigated by the Trigger Activation Governance, when NESO and/or Ofgem could take the view that the rest of the queue was 'healthy' and override the trigger.</p>
10	<p>Do you agree or disagree with the current design of the PCF in the CMP448 Original Proposal regarding the Trigger Activation Governance? Please provide the rationale for your views.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>No</p> <p>Ofgem should be required to make a formal Decision</p> <p>There is a need for stronger oversight by Ofgem.</p> <p>The Trigger Activation must be subject to a formal Ofgem Decision to approve or not approve NESO's decision.</p>

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		<p>There are insufficient safeguards for market participants if Ofgem just has an option to properly review NESO's decision.</p> <p>NESO transparency and timely publication of its justification</p> <p>NESO must be given an explicit obligation to publish its decision at the same time as submission to Ofgem. This is needed so that industry participants have visibility of the analysis and justification and can challenge any errors with NESO and Ofgem during Ofgem's 2-month decision making period.</p> <p>Additional industry consultation</p> <p>We'd support further Workgroup on how industry could be consulted before NESO's decision is submitted to Ofgem, without unduly extending the activation decision timeline. However, our key ask is to require a formal decision from Ofgem.</p>
11	Do you agree or disagree with the current design of the PCF in the	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

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	CMP448 Original Proposal regarding the £/MW value of the fee ? Please provide the rationale for your views.	We agree that the profiled approach and max of £10,000/MW is more appropriate.
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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
13	Do you agree or disagree with the current outline for projects that would be within scope of the PCF ? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No We agree that the PCF can fall away after the project meets the M1 planning milestone.

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14	<p>Do you agree with the Proposer's approach to demand projects? Please provide your rationale.</p>	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> <p>Yes – because this is consistent with the linkage between TMO4+ and the Clean Power 2030 Action Plan.</p> </div>
15	<p>Do you agree with the PCF scenarios put forward by the Proposer? Please provide your rationale.</p>	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> <p>Click or tap here to enter text.</p> </div>

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16	<p>Do you agree with definition of Queue Health put forward by the Proposer? Please provide your rationale.</p>	<div> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> <p>Click or tap here to enter text.</p> </div>
17	<p>Do you agree that the Proposal adequately takes into consideration the interface with embedded and distribution connected projects? Please provide your rationale.</p>	<div> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <div> <p>The Proposal is clear the embedded generation is in scope, but not sufficiently clear on how the interface will be managed.</p> <p>The consultation document says NESO is continuing to engage with DNOs and iDNOs to understand the implications on embedded generators – suggesting the Proposer recognises the interface is not clear.</p> <p>Page 41 of the consultation document suggests there is still significant work that needs to be done between the Proposer and DNOs/iDNOs to</p> </div>

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		<p>establish how the PCF would impact embedded projects.</p> <p>Engagement with affected embedded generation should not be done as a second thought.</p> <p>Embedded generators need the same visibility at the same time of how the PCF could impact them, including its practical application.</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 checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Potential Alternative 1 – PCF not applied to some or all Embedded Projects</p> <p>We recognise the logic of PA1, but it depends on DNOs actively implementing queue management rules and removing projects that fail to meet M1.</p> <p>DNO Workgroup members should be asked to provide an update on any ENA initiatives to align the distribution queue milestone regime with transmission, as this could change the case for PA1.</p> <p>Potential Alternative 2 – not accounting for replacement projects in the MW trigger calculation</p> <p>We believe replacement projects should be accounted for, therefore do not support PA2.</p>

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		<p>Potential Alternative 3 – Assess queue health by EYTS zone</p> <p>If a more targeted assessment is used, technology specific thresholds may be more appropriate.</p> <p>NESO should be asked to look at the practicalities of implementing PA3 vs the CP30 pot element of PA5 vs the technology-specific thresholds of PA6.</p> <p>Potential Alternative 4 – offer a fee discount if the customer self-terminates</p> <p>We see benefit in this as it encourages customers to self-terminate non-viable projects earlier.</p> <p>We would support this provided there are no potential cost implications for consumers.</p> <p>Potential Alternative 5 – apply PCF to the health of each queue withing the ‘CP30 pots’, plus various options to change the PCF value and/or duration</p> <p>This adds too much complexity, although NESO should be asked to compare the different trigger options proposed in PA3, PA5 and PA6.</p> <p>Potential Alternative 6 – technology specific Trigger Thresholds</p> <p>We believe this is the best option out of PA3, PA5 and PA6. We support exploring this further.</p>
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