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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:	Catherine Cleary	
Company name:	Roadnight Taylor	
Email address:	ccleary@roadnighttaylor.co.uk	
Phone number:	07837902942	
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 (Consultant)

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 this proposal better facilitates any of the CUSC objectives.</p> <p>We believe it decreases efficiency by introducing a complex, non-cost reflective cost charge which will require significant administration, and may hamper effective competition by placing additional financial burden on projects which are progressing.</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Implementation of CMP448 prior to a specific defect being identified (the proposal only identifies a possible future defect) is inefficient and highly risky.</p> <p>The proposer does not appear to hold sufficient data to be able to determine the likely point at which the Trigger Threshold could be breached, or the overall cost to end consumers as a result of generators having to finance the PCF, and therefore this modification has unknown, and potentially unintended consequences.</p>
3	Do you have any other comments?	
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>
5	Do you agree with the Workgroup's assessment that the modification does not	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

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	impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	
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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 checked="" type="checkbox"/> No – disagree
		<p>Disagree. We do not support the proposal in any form, but specific concerns include:</p> <ul style="list-style-type: none"> The proposal that the PCF should, if triggered, apply up until Milestone 1 (planning submission) appears impractical for the thousands of embedded distribution projects that this could impact, as this period could be as short as 2 months. The variability of the period up to M1 also risks penalising specific generation technologies. Different planning regimes mean some onshore technologies would only spend 12-24 months in this period, whereas offshore projects could spend up to 60 months in this period, making it significantly more likely that projects which naturally take longer to go through the planning submission process would see the maximum £10k/MW fee applied. This could have unintended consequences for the queue.

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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.	<div data-bbox="579 398 657 427"><input type="checkbox"/> Yes</div> <div data-bbox="579 465 651 495"><input checked="" type="checkbox"/> No</div> <div data-bbox="579 600 1366 824">Disagree. The profile of the fee, increasing over time, unfairly discriminates against projects which are progressing towards planning submission but have a much longer lead time to submit planning due to the consenting regime for the specific technology.</div> <div data-bbox="579 857 1398 1178">As shown in Scenario 2 in Annex 4 – in the event where the PCF is activated before the project meets milestone M1, a project with a short 12 month timeframe to submit planning would only see a fee of £2.5k/MW (fig B) whereas an offshore project with a 60 month timeframe to submit planning would see a fee of £10k/MW. We believe this is discriminatory.</div>
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.	<div data-bbox="579 1209 657 1238"><input type="checkbox"/> Yes</div> <div data-bbox="579 1276 651 1305"><input checked="" type="checkbox"/> No</div> <div data-bbox="579 1411 1366 1496">Disagree. It does not appear appropriate to have one trigger metric that applies to all technologies.</div>
9	Do you agree or disagree with the current design of the PCF (Progression	<div data-bbox="579 1718 657 1747"><input type="checkbox"/> Yes</div> <div data-bbox="579 1785 651 1814"><input checked="" type="checkbox"/> No</div>

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	Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Threshold ? Please provide the rationale for your views.	Disagree. The trigger threshold does not appear to be well evidenced. We believe this is a fundamental issue with bringing forwards a proposal too early, when the precise defect is unknown.
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 No comment. We do not support the proposal.
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	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Disagree. The analysis presented by the proposer appears to suggest that the cost of financing the PCF could be 10% of Devex which would appear to be a very significant cost that would be passed onto consumers.

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	the rationale for your views.	The proposer has not identified any quantified benefit to the system that would outweigh this cost.
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 checked="" type="checkbox"/> No Disagree. The safeguarding issue is important to ensure viable generation projects are not being asked to bear too much risk, but the analysis is flawed as it has only considered projects that spend less than 2 years pre-planning. Consideration of up to 60months is required to cover all generation types.
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 Disagree. We do not support the proposal at all, but in particular we query the rationale to exclude demand projects, and to include embedded projects. <u>Demand Projects</u> – see next question <u>Embedded Customers</u> We seriously question the practicality of implementing the PCF for embedded customers, noting that this would increase the number of parties affected by approximately two orders of magnitude, and the administrative burden of doing so could be extremely large for fairly limited benefit, given the quicker acting milestones that apply to embedded generators.

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14	<p>Do you agree with the Proposer's approach to demand projects? Please provide your rationale.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Given the proposal looks to remedy a future possible defect, there appears to be no evidence to suggest that this defect would be limited to generation projects.</p> <p>For example we have recently witnessed a significant increase in applications for Datacentres. Given the volumes involved, many of these may turn out to be speculative.</p> <p>This is a reason why we believe it would be more appropriate to bring a more targeted modification at a later date if a specific queue health defect is observed in the gate 2 queue.</p>
15	<p>Do you agree with the PCF (Progression Commitment Fee) scenarios put forward by the Proposer? Please provide your rationale.</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>These scenarios show the potential negative impact on long lead time projects which spend up to 60 months prior to M1.</p>

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16	Do you agree with definition of Queue Health put forward by the Proposer? Please provide your rationale.	<div data-bbox="580 400 655 427"><input type="checkbox"/> Yes</div> <div data-bbox="580 468 651 495"><input checked="" type="checkbox"/> No</div> <div data-bbox="580 600 1401 824">The definition of queue health on the basis of the number of projects that are force-terminated based on not reaching M1 seems flawed if lots of terminations in one particular sector/technology can be classed as poor queue health overall.</div>
17	Do you agree that the Proposal adequately takes into consideration the interface with embedded and distribution connected projects ? Please provide your rationale.	<div data-bbox="580 1200 655 1227"><input type="checkbox"/> Yes</div> <div data-bbox="580 1267 651 1294"><input checked="" type="checkbox"/> No</div> <div data-bbox="580 1400 1401 1624">The mechanism by which this would be passed onto embedded projects does not appear to have been fully thought through. We observe that this would cause a very significant level of administrative burden on both NESO and the DNOs.</div> <div data-bbox="580 1664 1401 1977">The current arrangements for user commitment for embedded generation projects have taken years to become established, with different DNOs still taking different approaches, and often a lack of training and understanding within the DNO regarding the commercial process. It does not appear practical to expect DNOs to cope with yet another regulatory</div>

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		process on top of huge amounts of industry change as a result of connections reform.
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.	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We agree with Alternative 1 which proposes to exempt embedded projects as this addresses our significant concern about the practicality of administering this charge across the many thousands of embedded customers that would otherwise be impacted.</p> <p>We agree with Alternative 6, as this seeks to address some of the potential technology discrimination issues we have highlighted above.</p> <p>We are somewhat supportive of Alternative 8 also, as we believe this would lessen the overall cost to consumers by reducing cost burden on viable generation projects.</p> <p>We strongly disagree with Alternative 5 – specifically the proposal to extend the timeframe the PCF applies, this is too long a time period and would significantly increase the cost burden on generators, which would in turn increase costs to consumers.</p>

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