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## Code Administrator 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@neso.energy](mailto:cusc.team@neso.energy) by **5pm on 24 June 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@neso.energy](mailto:Joseph.henry2@neso.energy) or [cusc.team@neso.energy](mailto:cusc.team@neso.energy)

Respondent details	Please enter your details	
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<b>Which best describes your organisation?</b>	<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 checked="" 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 Panel or the industry for further consideration)

**For reference the Applicable CUSC (non-charging) Objectives are:**

- i. The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence\*;
- ii. 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;
- iii. Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*\*; and
- iv. Promoting efficiency in the implementation and administration of the CUSC arrangements.

\* See Electricity System Operator Licence

\*\*The Electricity Regulation referred to in objective (iii) 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;

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- 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 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 NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

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**Please express your views in the right-hand side of the table below, including your rationale.**

Standard Code Administrator Consultation questions								
1	Please provide your assessment for the proposed solution(s) against the Applicable Objectives against the current baseline?	Mark the Objectives which you believe the proposed solution(s) better facilitates than the current baseline:						
		<table border="1"> <tr> <td>Original</td> <td> <input checked="" type="checkbox"/>i   <input checked="" type="checkbox"/>ii   <input type="checkbox"/>iii   <input checked="" type="checkbox"/>iv  <input type="checkbox"/>None </td> </tr> <tr> <td>WACM1</td> <td> <input checked="" type="checkbox"/>i   <input checked="" type="checkbox"/>ii   <input type="checkbox"/>iii   <input checked="" type="checkbox"/>iv  <input type="checkbox"/>None </td> </tr> <tr> <td>WACM2</td> <td> <input checked="" type="checkbox"/>i   <input checked="" type="checkbox"/>ii   <input type="checkbox"/>iii   <input checked="" type="checkbox"/>iv  <input type="checkbox"/>None </td> </tr> </table>	Original	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None	WACM1	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None	WACM2	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
		Original	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None					
		WACM1	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None					
		WACM2	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None					
<p>NESO considers that the Original Proposal overall better facilitates applicable objectives (i), (ii) and (iv). We consider the Original Proposal to be neutral with respect to applicable objective (iii).</p> <p>The Original Proposal will introduce a mechanism to monitor the health of the generation connections queue between entry to Gate 2 and Milestone 1 and, where appropriate, will implement arrangements that will accelerate the connection of readier and more viable projects through the timelier removal of unviable projects from the Gate 2 generation connections queue. The Proposal will drive greater efficiencies by enabling more coordinated network design, facilitating the delivery of transmission works, and reducing the administrative burden associated with managing projects through the</p>								

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		<p>Gate 2 process that are unlikely to ultimately connect to the grid. Furthermore, the Original Proposal will allow competition in electricity generation to increase at a quicker rate by removing blockers to earlier connection and will facilitate the achievement of Net Zero and Clean Power 2030 in a more timely and cost efficient manner.</p> <p>WACM1 is similar to the Original Proposal in much of its design but introduces a grace period post activation where the PCF will remain at £0 for up to six months. Following this, the PCF values would then be 10% of those proposed within the Original Solution. NESO considers that this WACM1 better facilitates the Applicable Objectives (i),(ii) and (iv) and is neutral against (iii) when compared to the baseline. However, we believe that the PCF values outlined within WACM1 will be insufficient to incentivise the desired behaviours in many cases. Therefore, when this WACM1 is compared to the Original Proposal, the benefits achieved in relation to the Applicable Objectives would be to a far lesser extent. We also believe that given the PCF will not be activated until at least 6 months after the activation threshold is met and at least three months after a decision to activate has been published, a grace period of up to six months is not required. The Original Proposal has an exemption for projects with less than 6 months to M1, which is a targeted approach, based on the limited benefits of the PCF for such projects. The introduction of a grace period is a more blanket approach which</p>
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		<p>creates an unnecessary delay to the realisation of benefits that can be achieved through the PCF.</p> <p>WACM2 is also similar to the original proposal in much of its design but introduces a 75% discount on the PCF applicable to a project if the party initiates a self-termination or reduction at least 90 days before its M1 date. NESO also considers that this WACM2 better facilitates the Applicable Objectives (i),(ii) and (iv) and is neutral against (iii) when compared to the baseline. However, as this WACM introduces the opportunity to significantly reduce a projects applicable PCF up until three months before the M1 date, we are concerned that it could create a perverse incentive for unviable projects to remain in the queue, in the hope that circumstances may change, safe in the knowledge that if circumstances do not change, the applicable PCF value will be significantly reduced as long as the termination process is initiated at least three months before the M1 date. It could therefore result in only speeding up the removal of unviable projects from the queue by three months in many cases. Additionally, we are concerned that this WACM2 could introduce opportunities for gaming. A project could initiate an application to reduce capacity, with the intention of withdrawing the application if the projects passes M1, as a hedge against the risk of a potential termination at M1 and the associated PCF liability. Finally, we also have concerns in relation how this WACM2 would work for</p>
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		<p>embedded sites where additional information would need to be shared consistently and quickly between DNOs and NESO to facilitate its practical implementation. Due to the Urgent nature of the proposal, we have not been able to fully develop how this process will work with the DNOs, but we believe that it would likely create additional administrative burden which would reduce the net positive impact on Applicable Objective (iii). For these reasons, we believe that when this WACM2 is compared to the Original Proposal, the benefits achieved in relation to the Applicable Objectives would be to a far lesser extent.</p>
Click or tap here to enter text.	Do you have a preferred proposed solution?	<p><input checked="" type="checkbox"/> Original</p> <p><input type="checkbox"/> WACM1</p> <p><input type="checkbox"/> WACM2</p> <p><input type="checkbox"/> Baseline</p> <p><input type="checkbox"/> No preference</p> <p>For the reasons outlined above, NESO does not feel that either of the WACMs facilitate the Applicable Objectives better than the Original Proposal and this is therefore our preferred solution. NESO has proposed the Original Proposal to enhance the connections process in line with the Connections Action Plan initiative produced by Ofgem and DESNZ. Our view remains consistent with that outlined within pages 6–10 of the Code Administrator Consultation, broadly that this modification is</p>

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		<p>required to ensure that unviable or uncommitted projects are incentivised to leave the queue in a timely manner to facilitate earlier connection dates for more viable and committed projects</p> <p>Against Applicable Objective (i), the Original Proposal is positive as it introduces a mechanism that will accelerate the connection of readier and/or more viable projects enabling the government to better progress its net zero targets. It will also enable more efficient and strategic network planning activities by ensuring that time and effort is focused only on projects that have a high chance of successfully connecting to the grid.</p> <p>The Original Proposal is positive against Applicable Objective (ii) as it will reduce the number of viable projects held up by less viable projects that are ahead of them in the connections queue. Incentivising the removal of these blockers will aid quicker connection for viable projects and competition in electricity generation could therefore increase at a quicker rate as a result.</p> <p>The Original Proposal is neutral against Applicable Objective (iii).</p> <p>The Original Proposal is positive against Applicable Objective (iv) as it will accelerate the termination of unviable projects from the connections queue, reducing the size and increasing the health of the whole queue. This will reduce the inefficiency associated with</p>
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		<p>administering the applications of unviable projects.</p> <p>Whilst we acknowledge that WACM1 and WACM2 may all be positive against the same Applicable Objectives as described above, due to the reasons outlined within the answer to question 1, we believe that this will be to a far lesser extent for both WACMs.</p>
3	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>NESO supports the implementation approach outlined within the Original Proposal. We believe that it is important that a decision is made on proposal before offers are issued to any parties that have not yet passed M1 (and would therefore be in scope of the proposal if it is approved) to ensure that industry parties have full visibility of their potential financial liabilities before signing their Gate 2 offers. We are also in favour of implementation as soon as possible after the decision date to ensure that the maximum benefit of the proposal can be achieved. We look forward to continuing to work with Ofgem and other key stakeholders to ensure that all aspects of the implementation</p>

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		requirements are aligned prior to the implementation date.
4	Do you have any other comments?	No
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 believe that its clear CMP448 does not overlap or interact with any sections of the CUSC outlined in CUSC Exhibit Y. Therefore, we consider it to not have any impact on the EBR Terms and Conditions.