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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 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

#### 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 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\*;

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- 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;*
- 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.*

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### 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.

**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:
		Original <input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input checked="" type="checkbox"/> None
		WACM1 <input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input checked="" type="checkbox"/> None
		WACM2 <input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input checked="" type="checkbox"/> None
		The combination of connection reform and the introduction of milestones in connection offers, provide the network companies with adequate tools to address historic grid queue management problems. We don't believe that very substantial financial burden on Gate 2 connection offer holders of the proposed Progression Commitment Fee (PCF) is justified by

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		<p>the purported benefits. We are also concerned that the potential substantial financial burden on developers will force many developers to abandon Gate 2 offers, because of the need to secure additional funding, and this will be to the detriment of achieving the CP30 Plan. The report notes that CMP448 is trying to address the problem of connection delays “hindering the progress towards Clean Power by 2030 Action Plan (CP30) and ultimately net zero”. Our concern is that it will do the exact opposite by imposing unnecessary financial burdens on developers which will be challenging to fund at early stage development.</p>
2	Do you have a preferred proposed solution?	<p> <input type="checkbox"/>Original  <input checked="" type="checkbox"/>WACM1  <input type="checkbox"/>WACM2  <input type="checkbox"/>Baseline  <input type="checkbox"/>No preference         </p> <p>Our preference is that CMP448 is not implemented because of the substantial financial burden it will impose on projects in early stage development. As noted above we believe this will cause the abandonment of a number of projects and will reduce the likelihood of achieving the CP30 Plan. WACM1 is our preferred alternative solution as it reduces the financial burden of the PCF to a more manageable level.</p>
3	Do you support the proposed implementation approach?	<p> <input type="checkbox"/>Yes  <input checked="" type="checkbox"/>No         </p> <p>Our preference is that CMP448 should not be implemented for the reasons stated above.</p>
4	Do you have any other comments?	<p>1. As already mentioned, our view is that the imposition of the very significant financial</p>

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		<p>burden of the PCF will cause a number of good projects to be abandoned. The Proposer has stated that the PCF £/MW value was designed so that it would be low enough so that the cost of financing would not unduly affect a projects viability. The analysis assumed a cost of financing of the PCF of 8% pa. We agree with many of the Work Group comments that the cost of funding will be much higher, particularly for smaller developers and communities. We also note that whereas larger developers can provide PCF on Balance Sheet, smaller developers will need to find additional funding for this new cost of development, and we envisage that it may well be difficult to secure such funding at the early stage of a project's development. We are strongly of the opinion that the PCF will affect many projects financial viability.</p> <ol style="list-style-type: none"> <li>2. The introduction of the PCF introduces more development risk to developers, and this will logically ultimately feed through into higher costs for consumers, through higher CfD pricing and other means.</li> <li>3. The Activation Threshold of 6500MW is very small in relation to the size of the queue. Once the PCF is activated it is proposed that it will remain in place in perpetuity. Our concern is that relatively low value of the threshold means that there is a higher chance of activation, whereas we would argue that the PCF should only be activated if there is a strong need for it.</li> <li>4. The proposed PCF is intended to provide an incentive for developers to leave the queue early if they do not expect to</li> </ol>
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		<p>achieve Milestone M1 within the time stipulated in the Gate 2 offer. Development of projects is an inexact science and projects will inevitably encounter unforeseen issues in the phase between obtaining a Gate 2 offer and submitting a planning application, which means that they have to terminate the development. In addition, M1 for distribution projects is currently set by the 2021 ENA guidance which is unrealistic requiring in some cases (where no EIA is required) submission into planning within 2 months of grid acceptance. This is the reality of project development work and developers have to write off cost of failed developments. Adding a substantial cost of the PCF liability on top of the failed project development costs is not welcome from a developers perspective and as noted in previous responses we believe it will disincentivise project development and damage the prospects of achieving the CP30 Plan. The PCF is not like the User Commitment Framework which was designed to recover costs incurred if connection offers are terminated. It is an incentive for a problem that may not exist, it is not well targeted to speculative developers and the justification given for designing the fee level so that it would not “unduly affect a projects viability” has been strongly questioned by the Workgroup.</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
		Click or tap here to enter text.