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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](mailto: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](mailto:Joseph.henry2@nationalenergyso.com) or [cusc.team@nationalenergyso.com](mailto:cusc.team@nationalenergyso.com)

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*)

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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 consider that this additional financial risk will encourage competition in generation, nor that the proposals shall necessarily improve efficiency in Licensees meeting their obligations or in implementing / administrating the CUSC arrangements.</p> <p>We do not understand why NESO is seeking to develop a solution now for one specific problem, that may or may not materialise with the reformed queue. We feel strongly that it is more likely that the CUSC objectives shall be better met by designing a PCF that addresses any actual problem that emerges with the reformed queue.</p> <p>We feel there is a lot of uncertainty around developing the right PCF mechanism (and associated finer detail as per consultation questions 6-18), there is significant risk that a pre-defined solution will ultimately prove to be inappropriate when called upon in the future.</p> <p>We believe there are significant advantages in designing a PCF once an actual problem has emerged with the queue. The benefits of an improved/targeted PCF that tackles an actual problem will far outweigh the benefits of NESO being able to move more quickly to implement an ineffective / ill-conceived pre-designed PCF.</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>For the reasons given in response to question 1, we do not believe implementing a pre-defined PCF mechanism at the end of 2025 is warranted or sensible.</p> <p>In addition to our fundamental point that it is unwise to attempt to develop a solution now, for an unknown future problem, examples of more specific concerns with pre-exempting a solution:</p>

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	<p>We are concerned about the one size fits all approach, for example, the proposals fail to recognise that offshore wind projects are likely to spend significantly longer in the “Gate 2 acceptance – M1” period than many other technology types, i.e. given the timescales associated with preparing consent applications. Offshore wind projects are already exposed to significant financial commitments with CES/TCE that encourages accelerated project progression. Technologies that behave well in the queue should not be disadvantaged by technologies that do not, hence it is better to understand who is creating the problem with the queue prior to determining the solution – and how to focus that solution on those creating the issue. Additionally, again for example, in several geographical areas there is an oversubscription of batteries in the queue which does not affect other areas of GB.</p> <p>We agree with workgroup member concerns that some technologies (e.g. offshore wind) are penalised due to project size and that a technology specific approach should have been used to set the PCF amounts and the timeframes for the PCF increments.</p> <p>Basing the trigger on 6GW capacity risks the PCF being triggered for all queue members if a very small number of offshore wind projects fail to meet their M1 milestone, this seems unfair – better to await experience in the type &amp; volume of projects failing to meet M1 before designing the PCF mechanism and the finer detail of it.</p> <p>We are concerned that NESO predict issues between Gate 2 signature and M1, the proposed PCF will do nothing to address issues in the queue that occur outside this window. This risks NESO having to develop additional PCF mechanisms or seeking to revamp the</p>
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		current proposal in the future. It makes far more sense to design a PCF to address actual emerging problems, this is likely to deliver a PCF that is fit for purpose (if ever required).
3	Do you have any other comments?	Please see our comments at Q1 and Q2 which are relevant to more than one question.
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 <a href="#">Workgroup Consultation</a> Section) <input checked="" type="checkbox"/> No <a href="#">Click or tap here to enter text.</a>
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  No comment

## Specific Workgroup Consultation questions

6	Do you agree or disagree with the current design of the PCF (Progression	<input type="checkbox"/> Yes (agree) <input checked="" type="checkbox"/> No (disagree)
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	Commitment Fee) in the CMP448 Original Proposal regarding the duration of the fee? Please provide the rationale for your views.	We disagree with the current design of the PCF duration, primarily because we do not believe it wise to assume the part of the queue where any future problem may arise. We believe it better to design the PCF and determine the duration of the fee once an actual problem arises with the queue.
7	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the <b>profile and timing of the fee</b> ? Please provide the rationale for your views.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Again, we feel it is not sensible to design the PCF now (including its profile and timing) in advance of any actual issue with the queue emerging and being properly understood. Second guessing future problems and designing for them presents a real risk that the PFC may be either ineffective or unnecessarily punitive.</p>

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8	<p>Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding <b>the Trigger Metric</b>? Please provide the rationale for your views.</p>	<div> <input type="checkbox"/> Yes           <input checked="" type="checkbox"/> No       </div> <p>As per earlier comments we do not believe it sensible to develop the design for the PCF at this time. In relation to this specific element of the design we, for example, think it would be far better to understand the type and size of project that fails to meet M1 prior to setting a Trigger Metric (if indeed any future queue problem is pre-M1). As proposed a 6GW trigger metric could be triggered by a hand full of offshore projects failing to meet M1, leading to all queue members facing a significant PCF. Far better to design the trigger metric when the issue is understood, you may not even need a trigger metric in a solution that is designed later, i.e. it may become self-evident that an active PCF is required.</p>
9	<p>Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding <b>the Trigger Threshold</b>? Please</p>	<div> <input type="checkbox"/> Yes           <input checked="" type="checkbox"/> No       </div> <p>Notwithstanding points already made regarding the benefits of designing the PCF based on an actual queue issue. We feel that the 6GW is not necessarily the right level. The 6GW threshold could be triggered by a</p>



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	provide the rationale for your views.	handful of offshore projects. Additionally, we believe that a queue in which 95% of projects are meeting their M1 milestone is still a rather healthy queue – a very significant improvement over the status quo. If the proposals are approved we'd suggest that a trigger at 80-90% (12-24GW) was more appropriate in defining an unhealthy queue, particularly given the trigger results in the PCF being implemented on an enduring basis (non-reversible).
10	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the <b>Trigger Activation Governance</b> ? Please provide the rationale for your views.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>For the reasons already given we believe the PCF should be designed to solve an actual future queue issue, as such, it is also too early to consider trigger activation governance.</p>

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11	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the <b>£/MW value of the fee</b> ? Please provide the rationale for your views.	<div data-bbox="580 398 659 427"><input type="checkbox"/> Yes</div> <div data-bbox="580 465 651 495"><input checked="" type="checkbox"/> No</div> <div data-bbox="580 600 1378 775">Without understanding the nature of any future queue issue or the impact it is having, it is too early to be confident that any £/MW determined now is proportionate to the problem.</div>
12	Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding <b>safeguarding considerations</b> ? Please provide the rationale for your views.	<div data-bbox="580 1151 659 1180"><input type="checkbox"/> Yes</div> <div data-bbox="580 1218 646 1247"><input type="checkbox"/> No</div> <div data-bbox="580 1352 1091 1382">We have no response on this point.</div>
13	Do you agree or disagree with the current outline for <b>projects that would</b>	<div data-bbox="580 1767 659 1796"><input type="checkbox"/> Yes</div> <div data-bbox="580 1834 651 1863"><input checked="" type="checkbox"/> No</div>

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	<p><b>be within scope of the PCF</b> (Progression Commitment Fee)? Please provide your rationale.</p>	<p>We don't believe it is sensible to determine who is in scope until we understand where the problem exists in the queue, for example if the problem occurs later in the queue (post M1) then that would change who should be in scope.</p>
14	<p>Do you agree with the Proposer's approach to <b>demand projects</b>? Please provide your rationale.</p>	<p> <input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No         </p> <p>The proposal recognises the potential change to the current Final Sum Methodology faced by demand customers, the consultation also recognises that NESO might need to raise future changes to PCF to address demand customers moving to the User Commitment Methodology. This is another example of the shortcomings in designing the PCF now, as opposed to awaiting a better understanding of any future queue problems – which would also allow impact of demand customers behaviour (and their prevailing existing grid commitments) to be better understood and accounted for in a future PCF design.</p>

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15	Do you agree with the <b>PCF</b> (Progression Commitment Fee) <b>scenarios</b> put forward by the Proposer? Please provide your rationale.	<input type="checkbox"/> Yes <input type="checkbox"/> No  <p>We understand the scenarios and welcome them being shared, but are opposed to the concept of pre-designing the PCF prior to any actual queue issue emerging.</p>
16	Do you agree with <b>definition of Queue Health</b> put forward by the Proposer? Please provide your rationale.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <p>Whilst we agree with the concept that Queue Health is related to the number of unviable or stalled projects in the queue, we don't believe this can be measured simply with a 6GW trigger threshold. For example, as already mentioned, a small number of offshore projects (or other high capacity projects) could result in triggering the proposed PCF – so a long way from the “high amount” of stalled projects mentioned in the consultation document. Given the above then any measure of queue health would need to account for</p>

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		both GW being terminated AND no. of projects being terminated.
17	Do you agree that the Proposal adequately takes into consideration the <b>interface with embedded and distribution connected projects?</b> Please provide your rationale.	<input type="checkbox"/> Yes <input type="checkbox"/> No
		We have not concentrated on these elements of the proposals and don't not feel well placed to comment.
18	Do you have any views on any of the <b>initial potential alternatives</b> 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
		We note that the potential alternatives provide a very wide variety of variants to the original proposal. We believe this demonstrates the complexity of this topic and highlights a number of relevant nuances that need to be considered in developing a robust PCF. We believe that a number of the potential alternatives may be more or less suitable to the specifics of any future

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		grid queue problem. This all supports designing the PCF later once the problem emerges and is better understood.
		Click or tap here to enter text.