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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 cust.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 or cust.team@neso.energy

Respondent details	Please enter your details	
Respondent name:	Andrew Allan	
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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

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:	
		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
		<p>The proposal is negative against code objective ii because it is inefficient to codify a solution which is not demonstrably required, and where there is insufficient data available to rigorously design it. If this proposal is approved, it will further reduce the attractiveness of the UK for investment and immediately increase costs for the consumer. Investors will need to factor in the potential collateral costs of financing the PCF (i.e. it will increase costs for consumers even if the PCF is not triggered). This proposal is also discriminatory towards a) smaller developers who may have more limited access to finance and b) technologies with longer lead times who would need to finance the PCF fee for a longer period.</p>	

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		<p>The Proposal is also negative against code objective iii. It is stated in EU retained law under ‘Charges for access to the network, use of network and reinforcement’ that charges “shall be cost-reflective” and “should not include unrelated costs supporting unrelated policy objectives” in Article 18 of Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing, as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019 (the “EBGL Regulation”). This is clearly a charge related to access to the network.</p> <p>While there may be some incentive created for some projects to proactively leave the queue earlier, we believe this is marginal in comparison to the impact of Queue Milestones, and significantly outweighed by the fact that the solution is poorly designed, introduces anti-competitive and penal cost burdens on developers, with a lack of consideration of external factors including the planning process, and associated interdependencies.</p> <p>Further, there is a discriminatory effect towards smaller projects in relation to the PCF liability, and to longer lead time projects in relation to financing the required cancellation charge secured amounts and the relative risk burden carried.</p>
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		<p>max would be £100k. For 2GW, max would be £20m (a much wider range). For a large complex project, depending also on planning route and technology, it's possible that progressing planning would be a more favourable option, than paying the Progression Commitment Fee.</p> <p>There is also a discriminatory effect towards longer lead time projects which will sit between Gate 2 and M1 for a longer period and carry the cost burden of securing the PCF + carrying the liability/risk profile for a longer period. Noting that these projects (eg. Offshore, CCS) are also typically not the ones causing issues through non-progression/stagnation</p> <p>And lastly, there is no consideration of external factors which extend the period of liability, adding further cost (to place security) and extending the risk period (for example as a result of additional surveys required for planning submission and associated extension of M1 milestone) Recently the planning and infrastructure bill introduced new pre-application requirements for Scottish projects (Clause 14). This may require for a statutory consultation to occur in the pre-application phase which previously occurred between submitting planning consent and agreed planning consent. Statutory consultations involving the public are lengthy and usually bypass set timeframes. These projects will be penalised with a progression commitment fee for an extended length of time that the project has no control over. Any solution put forward</p>
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		<p>would have needed to take into consideration the different planning types as otherwise the solution treats generators with the same size, project and same technology differently depending on where they are in the country and the planning regime they apply under.</p> <p>Potential to increase cost of energy with limited foreseeable benefit:</p> <p>Ultimately all development costs are passed through to the consumer.</p> <p>If activated, NESO expect PCF to increase project development costs on average by 10% (due to cost of financing placing security)</p> <p>NESO has disappointingly not considered all of the other inevitable costs, such as overall increase in cost of capital, or reduction in project pipeline reducing competition driving best projects.</p> <p>There has been no balanced Cost Benefit Analysis or comprehensive Impacts Analysis to demonstrate that this real downside cost could in any way be offset through perceived more efficient queue management</p> <p>The proposal entails a substantial administrative burden:</p> <p>Both pre activation – in all network operators (Transmission and Distribution) gathering and assessing whether the Threshold has been exceeded and, if activated, all generation projects being required to post security, that would previously not have been required</p>
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2	Do you have a preferred proposed solution?	<p><input type="checkbox"/>Original</p> <p><input type="checkbox"/>WACM1</p> <p><input type="checkbox"/>WACM2</p> <p><input checked="" type="checkbox"/>Baseline</p> <p><input type="checkbox"/>No preference</p> <p>Click or tap here to enter text.</p>
3	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes</p> <p><input checked="" type="checkbox"/>No</p> <p>We do not support the proposal, and therefore do not support the implementation approach.</p>
4	Do you have any other comments?	<p>Investment Environment</p> <p>NESO, Ofgem and DESNZ should be aware of the investment environment that NESO is shaping with such penal measures. An investment hiatus is already observed, with an increase in hurdle rates and cost of capital. There is a real risk that</p>

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		<p>with further measures, the appetite for investment in the UK will reduce. This puts at risk CP30 and SSEP development ambitions, and is in direct contradiction with the Government's policy to kickstart growth in the UK.</p> <p>Cost reflectivity</p> <p>While the workgroup was advised that cost reflectivity was not an issue, and NESO had sought appropriate advice, we raise again the concern respect moving away from the principle of cost reflectivity. As described above, it is stated in EU retained law under 'Charges for access to the network, use of network and reinforcement' that charges "shall be cost-reflective" and "should not include unrelated costs supporting unrelated policy objectives" in Article 18 of Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing, as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019 (the "EBGL Regulation"). This is clearly a charge related to access to the network.</p> <p>Allow time for changes to take effect before rushing to define new Code</p> <p>A false sense of urgency has been created by NESO. Resulting in a waste of industry's time to participate in an "urgent" workgroup. It is RWE's</p>
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		<p>belief that, where implemented effectively; the Gate 2 criteria, in conjunction with Strategic Alignment of projects with Clean Power Plan 2030 (CP30) and in future SSEP, as well as forward looking planning milestones and CMP376 queue milestones, should provide sufficient scope to ensure only projects which are progressing appropriately maintain their queue position.</p> <p>CUSC Section 16 queue milestones should ensure progress of projects connecting in 2025–30 and the forward looking milestone requires clear progress from all projects following accepting a Gate 2 offer, including those connecting in the 2030–35 timeframe.</p>
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?	<div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> <p>Click or tap here to enter text.</p> </div>