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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	
<b>Respondent name:</b>	David Barber	
<b>Company name:</b>	GridLink Interconnector Ltd	
<b>Email address:</b>	David.barber@gridlinkinterconnector.com	
<b>Phone number:</b>	07767872307	
<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 checked="" 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)

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### **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;*
- 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*

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*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.

**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 type="checkbox"/> None
		WACM1	<input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input type="checkbox"/> None
		WACM2	<input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv

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		<input type="checkbox"/> None
		No comment
2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input type="checkbox"/> WACM1 <input type="checkbox"/> WACM2 <input type="checkbox"/> Baseline <input checked="" type="checkbox"/> No preference
		Click or tap here to enter text.
3	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>We strongly believe that a financial instrument is the wrong solution because it is unnecessary and it will have a significant negative effect on the current and future development of interconnector projects due to the large capacity rating of the connection, typically 750–1400MW, the complexity and length of the development phase and the high devex requirement.</p> <p>We believe that it is unnecessary because the objectives of the Connections Reform programme to reduce the queue and focus on credible projects will already be achieved through the planned use of project readiness and strategic alignment criteria to inform the decisions on Gate 2 connections, and then User Progression Milestones to monitor progress with the penalty of cancellation of the connection agreement. These criteria already require significant financial commitments by the developer, such as land option or purchase fees with underpinning</p>

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		<p>technical, commercial and environmental studies. We estimate that these financial commitments are likely to be £5-10million to ensure that the Gate 2 criteria are complied with and justify the financial risk of entering into a grid connection agreement.</p> <p>In terms of financial penalties, we also believe that the existing Cancellation Charge included in connections agreements already provides a sufficient and effective financial penalty to incentivise only realistic projects to proceed. Such Cancellation Charges can introduce a financial liability of £5million or more in case of project cancellation.</p> <p>In summary, for an interconnector project, the total financial commitment/liability with a Gate 2 connection agreement is already at £10-15million. As a result, an additional financial instrument that potentially doubles this exposure is unnecessary and potentially will have a significant negative effect on the appetite of project promoters to develop new projects due to the very high financial risks.</p>
4	Do you have any other comments?	<p>The implementation approach is designed to encourage developers to pass User Progression Milestone 1 (initiated statutory consents and planning permission), whereupon the PCF liability falls away. This gives additional importance to User Progression Milestone 1, which therefore needs to be very well defined and understood. In this regard, NESO has stated that M1 requires an application for “full planning permission”, but there remains a lack of clarity on whether this milestone is satisfied by an application for statutory consent other than planning permission, eg Marine Licence for an Interconnector, and this approach debars satisfaction of M1 via applications for “planning permission with some or all</p>

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		matters reserved”, which is the normal planning strategy for major development projects because EPC contract procurement must be completed to provide the design information for full planning applications. This increases the risk that the PCF will become payable and impact upon or disincentivise interconnector projects.
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 type="checkbox"/> Yes  <input type="checkbox"/> No
		No comment