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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 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 or cusc.team@nationalenergyso.com

Respondent details	Please enter your details	
Respondent name:	Sarah Graham	
Company name:	Arven Offshore Wind Farm Limited	
Email address:	sarah.graham@oceanwinds.com	
Phone number:	07464675593	
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:

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(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 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;

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- 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.*

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

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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 facilitate the Applicable Objectives versus the current baseline?	<p>Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:</p> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D</td> </tr> </table> <p>We do not believe this proposal better facilitates any of the CUSC objectives. We believe it decreases efficiency by introducing a complex, non-cost reflective cost charge which will require significant administration. We believe it endangers effective competition by placing a burden on developers of long lead time generation projects, even when they are progressing as expected.</p>	Original	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
Original	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D			
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/>Yes</p> <p><input checked="" type="checkbox"/>No</p> <p>Implementation of CMP448 prior to a specific defect being identified (the proposal only identifies a possible future defect) is inefficient and highly risky. The proposer does not appear to hold sufficient data to be able to determine the likely point at which the Trigger Threshold could be breached, or the overall cost to end consumers as a result of generators having to finance the PCF,</p>		

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		<p>and therefore this modification has unknown, and potentially unintended consequences.</p> <p>We do not support the proposed implementation as we do not believe the Trigger Metric is an appropriate measure of “queue health”.</p>
3	Do you have any other comments?	<p>We do not support the proposal in general but specifically our primary concern is that it unfairly discriminates against offshore wind projects which, due to the route to obtaining planning consent, may spend up to 5 years in the period between offer acceptance and milestone M1.</p> <p>Offshore wind projects are required to hold a lease option agreement with Crown Estate Scotland or The Crown Estate before they can request a Gate 2 offer. This requirement already imposes a significant financial commitment on them and provides an incentive to actively progress the project, albeit through a different stakeholder. ScotWind projects have paid substantial lease option fees as well as lease deposits and they have milestone requirements within their agreements to submit their scoping and planning applications within limited timeframes enforcing active development. English and Welsh projects are subject to an annual option fee payment so this in itself provides incentive to actively develop the projects.</p>

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4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input checked="" type="checkbox"/> Yes (the request form can be found in the <u>Workgroup Consultation</u> Section) <input type="checkbox"/> No Alternative which exempts Offshore Projects from the PCF to avoid discrimination against these long lead time 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Specific Workgroup Consultation questions

6	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the duration of the fee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - disagree The proposal that the PCF should apply up until Milestone 1 (planning submission) is reached unfairly discriminates between technology types. Different planning regimes for different
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	Please provide the rationale for your views.	<p>technologies mean some onshore technologies would only spend 12–24 months in this period, whereas offshore wind projects would spend up to 60 months in this period. This has two unintended consequences:</p> <p>A) Offshore wind projects with a 60-month period to M1 are significantly more likely to see the PCF applied to them, as they spend longer before M1 and so the chance of the PCF being activated is higher.</p> <p>B) Offshore wind projects are more likely to have the maximum £10k/MW figure reached, as shown in scenario 2 of the examples in Annex 4.</p>
7	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the profile and timing of the fee ? Please provide the rationale for your views.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No – disagree</p> <p>The profile of the fee, increasing over time, unfairly discriminates against projects which are progressing towards planning submission but have a much longer lead time to submit planning due to the consenting regime for the specific technology.</p> <p>As shown in Scenario 2 in Annex 4 – in the event where the PCF is activated before the project meets milestone M1, a project with a short 12-month timeframe to submit planning would only</p>

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		see a fee of £2.5k/MW (fig B) whereas an offshore wind project with a 60-month timeframe to submit planning would see a fee of £10k/MW. We believe this is discriminatory.
8	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding to the Trigger Metric ? Please provide the rationale for your views.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - disagree It does not appear appropriate to have one trigger metric that applies to all technologies – noting the disproportionate impact the PCF can have on long lead time technologies like offshore wind. It is not desirable that a large volume of Battery Projects being terminated (for example) should then impose a significant cost burden on all other generator types, which have not caused an issue.
9	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Threshold ? Please provide the rationale for your views.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - disagree The trigger threshold does not appear to be well evidenced. We believe this is a fundamental issue with bringing forward a proposal too early, when the precise defect is unknown.

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10	<p>Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Activation Governance?</p> <p>Please provide the rationale for your views.</p>	<div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> No comment. We do not support the proposal. </div>
11	<p>Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the £/MW value of the fee?</p> <p>Please provide the rationale for your views.</p>	<div> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - disagree </div> <div> Click or tap here to enter text. </div>
12	<p>Do you agree or disagree with the methodology presented to the</p>	<div> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - disagree </div>

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	<p>Workgroup by NESO regarding safeguarding considerations? Please provide the rationale for your views.</p>	<p>The safeguarding issue is important to ensure viable generation projects are not being asked to bear too much risk, but the analysis is flawed as it has only considered projects that spend less than 2 years pre-planning.</p> <p>No safeguarding assessment has been completed for offshore wind projects. This is a fundamental flaw in the proposal.</p>
13	<p>Do you agree or disagree with the current outline for projects that would be within scope of the PCF (Progression Commitment Fee)? Please provide your rationale.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No – disagree</p> <p>We believe long-lead time projects such as offshore wind should be exempted from the proposal if it is implemented. Although we query the efficiency and suitability of the proposal in its entirety.</p>
14	<p>Do you agree with the Proposer's approach to demand projects? Please provide your rationale.</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We have no view on demand projects.</p>

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15	Do you agree with the PCF (Progression Commitment Fee) scenarios put forward by the Proposer? Please provide your rationale.	<input type="checkbox"/> Yes <input type="checkbox"/> No We believe these scenarios show that the impact on long lead time projects such as offshore wind is severely discriminatory.
16	Do you agree with definition of Queue Health put forward by the Proposer? Please provide your rationale.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The definition of queue health on the basis of the number of projects that are force-terminated based on not reaching M1 seems flawed if lots of terminations in one particular sector/technology can be classed as poor queue health overall.
17	Do you agree that the Proposal adequately takes into consideration the interface with embedded and distribution connected projects ? Please	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The mechanism by which this would be passed onto embedded projects does not appear to have been fully thought through. We observe that this would cause a very significant level of administrative burden on both NESO and the DNOs.

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	provide your rationale.	
18	Do you have any views on any of the initial potential alternatives 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
		<p>We agree with Alternative 6, as this seeks to address some of the potential technology discrimination issues we have highlighted above.</p> <p>We are somewhat supportive of Alternative 8 also, as we believe this would lessen the overall cost to consumers by reducing cost burden on viable generation projects.</p>
		<p>We strongly disagree with Alternative 5 – specifically the proposal to extend the timeframe the PCF applies, this is too long a time period and would significantly increase the cost burden on generators, which would in turn increase costs to consumers.</p>