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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)

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<b>Phone number:</b>	07386 651951	
<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 checked="" 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

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**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 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:**

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- 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.*

### 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

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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 facilitate the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:
		Original <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D
		<p>We believe that the core principles of the Original proposal are overall positive against CUSC objective B. The current size of the connections queue is a major barrier to effective competition and to the achievability of Government's Clean Power by 2030 ambition, with unviable projects taking up space in the queue and blocking viable projects from progressing swiftly to connection. This proposal stands to reduce these instances by incentivising these unviable projects to leave the queue.</p> <p>At the same time, it is crucial that the PCF is also set at a level which does not inadvertently stifle competition and present too high of a barrier to newer market entrants. We believe the revised level of the PCF put forward by CMP448 strikes this balance.</p>

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		<p>However, we are concerned that the liability profile associated with the PCF will present a significant barrier to the development of large-scale generation projects such as offshore wind, which are subject to longer development timelines. It is crucial that the safeguarding cap is reviewed to consider the significant cost of the liabilities profile for these projects, and a mechanism to limit the security requirements associated with the PCF to prevent it from significantly increasing costs (which will ultimately be reflected in consumer bills). <b>Our view that CMP448 would be positive against CUSC object B is contingent on protective measures to address this risk being given further consideration and included in the final proposal.</b></p> <p>We agree that CMP448 is positive against CUSC objectives A and D as it will enable quicker connection of viable projects and reduce the inefficiencies caused by administering the applications of unviable projects.</p>
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  We agree with the implementation timeline set out by the proposer.
3	Do you have any other comments?	No further comments.
4	Do you wish to raise a Workgroup Consultation	<input type="checkbox"/> Yes (the request form can be found in the <a href="#">Workgroup Consultation</a> Section)

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	Alternative Request for the Workgroup to consider?	<input checked="" type="checkbox"/> No
		-
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? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		We agree with the proposal that the PCF apply between Gate 2 offer acceptance and Milestone 1. Given the highest risk period is between offer acceptance and planning submission, it is appropriate that the PCF focusses on this window. This proposal offers a targeted solution to incentivise unviable projects to leave the queue - extending the PCF beyond this duration would place an unnecessary burden on more advanced

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		projects that are already accruing significant DEVEX. A project's continued progression will be adequately incentivised beyond Milestone 1 by the Queue Management milestones which then occur at more regular intervals.
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.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		We agree that the PCF should be profiled. The longer that an unviable project sits in the queue, the longer they are taking up space and presenting a barrier to projects behind them in the queue. For the PCF to be effective it is therefore crucial that it is profiled to increase at regular intervals, incentivising an unviable project to leave the queue sooner to avoid their liability increasing.
8	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding to <b>the Trigger Metric</b> ? Please provide the	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		We agree that given the Gate 2 to whole queue process under CMP435 has not yet taken place, reserving the PCF to be triggered only in the instance that unviable projects remain prevalent in the Gate 2 to Milestone 1 queue is appropriate. The trigger metric ensures the proposal does not pre-empt the outcomes and effectiveness of CMP435

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	rationale for your views.	and CMP434 and ensures that CMP448 does not place an additional burden on developers without it being deemed needed.
9	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 provide the rationale for your views.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No  <p>Whilst we are content that a volumetric figure for the first trigger metric period (in the absence of data to support a percentage figure) may be needed, we believe that a percentage figure would offer greater transparency and certainty in the long term. Especially for projects with longer development timelines which may cross trigger metric periods.</p>
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.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No  <p>We agree it is appropriate that Ofgem has the power to override NESOs decision to trigger the PCF. This ensures that NESOs decision to trigger the PCF is accountable to the regulator and that all analysis pertaining to the trigger threshold being reached is shared and reviewed transparently.</p>



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11	<p>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></p> <p>Please provide the rationale for your views.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We agree with the value of the PCF as proposed. It is crucial that the level of the fee is set to balance incentivising unviable projects to leave the queue, whilst also not presenting an unnecessary burden to viable projects through significant additional liabilities and securities. This is especially important to ensure that the PCF does not inadvertently present a barrier to the progression of projects needed to meet the Government's significant Clean Power by 2030 ambition.</p>
12	<p>Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding <b>safeguarding considerations?</b></p> <p>Please provide the rationale for your views.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>We are concerned that the safeguarding cap has not sufficiently considered the larger scale and longer development timelines of projects such as offshore wind farms. The £10,000/MW cap and associated security requirements will introduce a significant additional cost to these projects which could be at the cap for 2-3 years before Milestone 1 is met (depending on the projects development strategy). There is a significant risk that the liabilities profile and the cost of posting securities could have a punitive impact on offshore wind</p>

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		farm developments in particular, with it taking approximately 3 years to reach DCO submission from gaining seabed rights (not accounting for offshore environmental surveys). This is especially important to address in the final proposal given the Government's significant ambitions for offshore wind deployment in the Clean Power by 2030 action plan.
13	Do you agree or disagree with the current outline for <b>projects that would be within scope of the PCF</b> (Progression Commitment Fee)? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  We agree with the projects set out as in scope of the PCF.
14	Do you agree with the Proposer's approach to <b>demand projects</b> ? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  We agree with the rationale set out for demand projects not being considered in scope of this modification. We agree that the specifics of the PCF would have very distinct considerations if it were to be applied to demand projects.

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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 checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
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16	Do you agree with <b>definition of Queue Health</b> put forward by the Proposer? Please provide your rationale.	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
		We agree with the broad definition of “queue health” set out in the consultation document. See our response to Question 9 regarding the form of the Trigger Metric.
17	Do you agree that the Proposal adequately takes into consideration the <b>interface with embedded and distribution connected projects</b> ? Please	<input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No
		The proposal does not appear to have considered that embedded and distribution connected projects are subject to different queue management milestone timescales.

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	provide your rationale.	
18	<p>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.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The security requirements associated with the PCF could present a significant barrier to large-scale projects such as offshore wind farms. Due to the longer period between gaining seabed rights to DCO submission (~3 years), they will potentially be at the £10,000/MW cap for 2-3 years (depending on the development strategy) before meeting Milestone 1. The cost of carrying this significant liability for this length of time will be considerable and is a cost that will ultimately be reflected in consumer bills. This presents another material cost/liability to offshore wind in the context of annual option fees and significant up front development costs to get a project to consent. We are therefore provisionally supportive of potential alternative 8 which is looking to explore a cap to overall securities to prevent CMP448 from inadvertently creating a barrier to the development of large-scale renewable generation. This is particularly crucial given the Government's</p>

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		emphasis on the deployment of offshore wind capacity in the Clean Power by 2030 Action Plan.
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