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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: | David Barber | |
| Company name: | GridLink Interconnector Ltd | |
| Email address: | David.barber@gridlinkinterconnector.com | |
| Phone number: | 07767872307 | |
| Which best describes your organisation? | <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:

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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>No comment</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>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 scale 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</p> | | |

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| | | <p>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 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> |
| 3 | 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</p> |

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| | | User Progression Milestone 1, which therefore needs to be very well defined and understood. In this regard, 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, or if an application for planning permission with some or all matters reserved will be deemed sufficient – this is the normal planning strategy for development projects. NESO needs to give further attention to this critical issue. |
| 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 <u>Workgroup Consultation</u> Section) <input checked="" type="checkbox"/> No Click or tap here to enter text. |
| 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 |

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Specific Workgroup Consultation questions

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| 6 | <p>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.</p> | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | | <p>Refer Q2 response</p> |
| 7 | <p>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 <input checked="" type="checkbox"/> No |
| | | <p>Refer Q2 response</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 to the Trigger Metric?</p> <p>Please provide the rationale for your views.</p> | <div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> <input type="checkbox"/> No comment </div> |
| 9 | <p>Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Threshold?</p> <p>Please provide the rationale for your views.</p> | <div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> <input type="checkbox"/> No comment </div> |
| 10 | <p>Do you agree or disagree with the current design of the PCF (Progression</p> | <div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> |

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| | <p>Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Activation Governance?</p> <p>Please provide the rationale for your views.</p> | No comment |
| 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> | <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>The £/MW fee is very high at up to £10k/MW after 2 years and should be reduced. For an interconnection with a connection capacity of 1500MW, the PCF of £2.5–£10k/MW introduces a termination liability of £3.75million rising to £15million. Investors require certainty of grid connection via Gate 2 agreement in order to commit to devex, but such an early stage liability risk associated with the Gate 2 agreement will significantly disincentivise developers from initiating new projects.</p> |

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| 12 | <p>Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding safeguarding considerations? Please provide the rationale for your views.</p> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | <p>No comment</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> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | <p>No comment</p> |
| 14 | <p>Do you agree with the Proposer's approach to demand projects?</p> | <input type="checkbox"/> Yes <input type="checkbox"/> No |

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| | Please provide your rationale. | No comment |
| 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 No comment |
| 16 | Do you agree with definition of Queue Health put forward by the Proposer? Please provide your rationale. | <input type="checkbox"/> Yes <input type="checkbox"/> No No comment |

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| 17 | Do you agree that the Proposal adequately takes into consideration the interface with embedded and distribution connected projects ? Please provide your rationale. | <input type="checkbox"/> Yes <input type="checkbox"/> No Not comment |
| 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 type="checkbox"/> Yes <input type="checkbox"/> No No comment |

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