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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@nationalenergygyso.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@nationalenergygyso.com or cusc.team@nationalenergygyso.com

Respondent details	Please enter your details	
Respondent name:	Jamie McDougall / Paul Smillie	
Company name:	SP Distribution & SP MANWEB / SP Transmission, collectively SP Energy Networks (SPEN).	
Email address:	jmcdougall@spenergynetworks.co.uk / psmillie@spenergynetworks.co.uk	
Phone number:	Jamie McDougall: 07553 713744 Paul Smillie: 07788 493563	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input checked="" type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input checked="" type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party

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	<input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<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.

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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 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.

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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 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? Directly connected projects have	Mark the Objectives which you believe the Original Solution better facilitates than the current baseline:	
		Original	<input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input checked="" type="checkbox"/> C <input checked="" type="checkbox"/> D
		<p>The connections queue across GB’s transmission and distribution networks is currently over 750GW. SPEN is therefore fully supportive of the need for Connections Reform.</p> <p>With regards to CMP448 specifically, while we support the implementation for directly connected transmission projects, we are of the opinion that further discussion is required to determine the correct application of the progression commitment fee to embedded projects.</p> <p>SPEN recognise the defect highlighted by the NESO; namely that customers in receipt of a Gate 2 connection offer may not, in a timely manner, progress to initiating their planning permission requests and therefore to achieving User Progression Milestone 1 (M1). SPEN recognises that the NESO believe this defect may exist because the point at which customers receive a</p>	

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		<p>Gate 2 offer and achieve M1 is one where they are unlikely to be exposed to significant user commitment sums and so could occupy the connections queue with the least incentive (relative to other points in the queue) for proactive and timely withdrawal.</p> <p>While SPEN recognise the existence of this defect for directly connected projects we remain unconvinced that this defect applies to all embedded projects. Embedded projects, relative to transmission projects, have different periods at which they will reach relevant milestones. SPEN appreciate the length of time between receiving a Gate 2 offer and reaching milestone 1 may vary depending on project specific aspects (such as the requirement of an EIA). We are of the opinion that this requires further investigation from the workgroup. We provide further comments on this in our response to question 13 within this proforma.</p> <p>Additionally, SPEN would like to highlight here that we are supportive of Potential Alternative 1, presented in the CMP448 Workgroup Consultation paper. We provide a rationale for our support of Potential Alternative 1 as part of question 13 within this proforma response.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>SPEN understand the intention is that this proposal, if approved, would be implemented in advance of Gate 2 offers being issued by the NESO.</p> <p>Implementation is therefore scheduled by the end of the calendar year 2025. We support this approach given it would allow time for the necessary provisions to be made to the Gate 2 Connection Offers. SPEN recognise in cases where</p>

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		planning permission is secured this PCF would not apply to these projects.
3	Do you have any other comments?	No further comments
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 SPEN strongly support further consideration of Potential Alternative 1, presented in the CMP448 Workgroup Consultation Paper. Our rationale for supporting this alternative is presented in response to question 13 of this proforma response.
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 No further comments

Specific Workgroup Consultation questions

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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 <p>SPEN agree with the design of the PCF with regards to the duration of the fee. SPEN acknowledge the period between Gate 2 offer acceptance to achieving M1 is within the control of the developer. Additionally, SPEN recognise that for directly connected projects developers could reside at this part of the process without proactively managing their application and therefore negatively impact GB connections progress. SPEN believe that prior to the activation of the PCF it is not clear how much of an incentive there is at present for developers to proactively manage and self-assess the viability of their project.</p>
7	Do you agree or disagree with the current design of the PCF (Progression	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	<p>Commitment Fee) in the CMP448 Original Proposal regarding the profile and timing of the fee? Please provide the rationale for your views.</p>	<p>SPEN agree with the profile and timing of the fee. We welcome the move from a flat fee to a fee that ramps up from £2,500/MW each 6 months to a maximum of £10,000/MW. Increases each 6 months are welcomed, and we believe create a greater incentive for developers to self-evaluate the viability of their project. However, as we have stressed elsewhere in this consultation response, we do not believe this same incentive will be created for all embedded projects.</p> <p>We recognise that the purposes of 6 monthly increases is so that they will be in approximate alignment with the Gate 2 application windows and so replacement projects can enter the connections queue as unviable projects leave. SPEN would be supportive of ensuring the 6 monthly increases are in alignment with Gate 2 application windows, to ensure any withdrawals as a result of this intervention can be replaced by new applications as soon as possible and in the next application window. This would also require alignment with the current Securities process.</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>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>SPEN agree with the use of a Trigger Metric to ascertain “queue health”. We agree that determining the prevalence of developers who may remain at the stage between Gate 2 offer acceptance and M1 is difficult to forecast. We therefore agree the PCF should remain dormant until triggered as and when required.</p>
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>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>SPEN agree with the design of the PCF with regards to the trigger threshold and that this threshold is set at 6,000MW for the initial metric period. SPEN strongly support NESO’s intention to be fully transparent with regards to when the trigger threshold has been achieved.</p>

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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>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>SPEN agree with the design of the PCF with regards to Trigger Activation Governance. We support the proposed process by which NESO will recommend to Ofgem that the mechanism is activated (in the event the threshold is reached), with Ofgem then making the final decision on mechanism implementation. We strongly support users being provided a notice period of at least 3 months from the date of Ofgem's decision.</p>
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 checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>SPEN agree with design of the PCF with regards to the £/MW approach. SPEN agree that the original flat rate fee of £20,000/MW may have been high enough to disproportionately impact small developers. We agree with the approach of having a fee in place that, if triggered, ramps from £2,500/MW up to a maximum of £10,000/MW.</p>

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		SPEN agree that this PCF should not be netted off against other existing securities given the risk that this may dilute the incentive for developers to proactively assess the viability of their project.
12	Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding safeguarding considerations ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		SPEN agree with the safeguarding considerations presented.
13	Do you agree or disagree with the current outline for projects that would be within scope of the PCF (Progression Commitment Fee)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		SPEN agree that directly connected generation projects should be within scope of the PCF.

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	<p>Please provide your rationale.</p>	<p>SPEN consider further discussions should take place on its applicability to all embedded projects.</p> <p>The rationale for including directly connected projects is that the developers should be incentivised to proactively monitor the viability of their project for the period between accepting a Gate 2 offer and achieving M1. This period is within the developer's control and is the longest period where the developer could remain in the queue without proactively assessing the viability of their project. We agree the PCF is appropriate here in incentivising desirable developer self-assessment behaviour.</p> <p>The rationale for including embedded connected projects is less clear. Where a developer holds a connection offer for an embedded project, they may be subject to different queue management milestone periods when compared to directly connected projects. SPEN would support further exploration on the applicability of the PCF to embedded projects considering current queue management milestones.</p> <p>SPEN welcome the NESO noting they will engage with DNOs through a weekly meeting with the ENA Strategic Connections Group: TMO4+ Impacts and Assessments sub-group. Additionally, SPEN welcome the NESO continuing to consider how best to engage the DNOs via the Connections</p>
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		Reform Implementation Hub and we further welcome the liaison between the DNOs and the NESO to engage with affected embedded generation customers as required.
14	Do you agree with the Proposer's approach to demand projects ? Please provide your rationale.	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>SPEN agree with the proposer's approach to demand projects. We acknowledge that directly connected and embedded demand project are subject to the final sums methodology – meaning developers secure all spend associated with their project as it progresses. We agree that this provides a financial commitment to development and sufficient assurance of commitment when allocating connection capacity.</p> <p>We recognise the inflight CUSC modification CMP417: "Extending Principles of CUSC section 15 to all Users", which aims to extend the principles of CUSC Section 15 "User Commitment Methodology" to users on final sums methodology. The NESO note that depending on the outcome of this modification, they may consider broadening the scope of the PCF. SPEN are supportive of revisiting the scope of the PCF upon completion of CMP417.</p>

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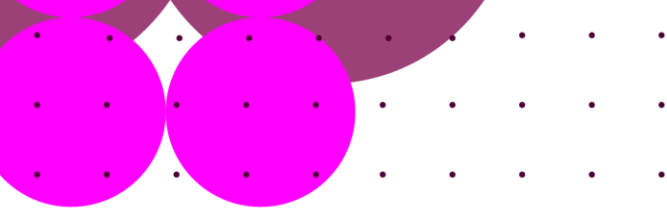
15	Do you agree with the PCF (Progression Commitment Fee) scenarios put forward by the Proposer? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		SPEN agree with the scenarios in Annex 04.
16	Do you agree with definition of Queue Health put forward by the Proposer? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		SPEN agree with the definition of Queue health put forward by the proposer. We understand the queue health is the prevalence of unviable or stalled projects in the queue.
17	Do you agree that the Proposal adequately takes into consideration the interface with embedded and distribution	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		With regards to the interface with embedded and distribution projects, SPEN consider, and highlighted in the working groups, that further engagement between the NESO and DNOs was

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	<p>connected projects? Please provide your rationale.</p>	<p>required to ensure all relevant parties understood how this proposal would be implemented.</p> <p>In particular, SPEN understand that where a project terminates and is then replaced with another project with a connection date within 6 months of the original terminated project's connection date then the capacity lost from the original terminated project will not count towards the trigger metric threshold. The concept of replacing projects at the DNO level is one we believe will be administratively complex and so we welcome further engagement with the NESO to ascertain a clear view on the way forward.</p>
18	<p>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.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Potential Alternative 1</p> <p>SPEN are strongly supportive of Potential Alternative 1. For the reasons outlined in our response above, we would welcome further workgroup discussions to ascertain the correct scope of this proposal with regards to embedded projects.</p>

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		<p>Potential Alternative 2</p> <p>SPEN are supportive of Potential Alternative 2. We believe the concept of replacing terminated projects with projects with a connection date within 6 months of the terminated project will be complex and difficult to implement in practice.</p> <p>Potential Alternative 3</p> <p>No further comments</p> <p>Potential Alternative 4</p> <p>No further comments</p> <p>Potential Alternative 5</p> <p>No further comments.</p> <p>Potential Alternative 6</p> <p>SPEN do not agree this technology specific trigger metric would be appropriate given it could unduly discriminate against specific technology types.</p> <p>Potential Alternative 7</p> <p>No further comments.</p> <p>Potential Alternative 8</p> <p>No further comments.</p>
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