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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 cust.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 or cust.team@neso.energy

Respondent details	Please enter your details	
Respondent name:	Joe Colebrook	
Company name:	Innova	
Email address:	joe@innova.co.uk	
Phone number:	020 3523 9560	
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:

(Please mark the relevant box)

☒ **Non-Confidential** (*this will be shared with industry and the Panel for further consideration*)

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☐ **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)

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;

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- 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 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.

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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 checked="" type="checkbox"/> None
		WACM1	<input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input checked="" type="checkbox"/> None
		WACM2	<input type="checkbox"/> i <input type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input checked="" type="checkbox"/> None
		<p>Innova does not support the Original Proposal or any of the alternative proposals. Innova does not believe there is still a defect with the connections queue as outlined by the proposal, and Innova would recommend keeping the Baseline, i.e. existing code.</p> <p>CMP435 will remove a significant number of projects from the connections queue and align the queue with the Clean Power 2030 Action Plan (CP30). Projects still in the connection queue will be required to comply with ongoing queue management milestones and the Gate 2 Criteria Methodology. Innova believes this will significantly reduce the impact of unviable</p>	

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		<p>projects not self-terminating. Innova believe new projects will need to be developed over the next decade to allow the UK to meet the Clean Power 2030 plan and Net Zero, due to the natural attrition of projects in development and the ambitious capacity targets set by the Government. At a time when an increase in new projects will be required to replace stalled or unviable projects within the Clean Power 2030 plan, the Progression Commitment Fee (PCF) will create a significant barrier to entry and be a deterrent to new projects entering the connections queue. This will make it more difficult to deliver the Clean Power Plan 2030 and Net Zero and, therefore, the Original and all WACMs are negative against Objective i).</p> <p>The PCF increases barriers to entry for new entrants, particularly Small and Medium Enterprises (SMEs), to the market. The PCF increases the barrier to entry for new projects, particularly when they are considered at most risk of failure. The introduction of the PCF will reduce innovation and risk-taking, and therefore reduce the competitiveness of supply in the UK. The PCF has the potential to stop the development of viable projects at an early stage of development because the risk/reward to approve an investment is too great. It will reduce competition in the supply of electricity. Therefore,</p>
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		<p>the Original and all WACMs are negative against objective ii).</p> <p>CMP448 does not have an impact on the compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency, and therefore the Original and all WACMs are neutral against Objective iii).</p> <p>PCF partially duplicates User Commitment and Final Sums and will add a significant administrative burden to NESO and the connecting projects. Therefore, the Original and all WACMs are negative against objective iv).</p>
2	Do you have a preferred proposed solution?	<p><input type="checkbox"/>Original</p> <p><input type="checkbox"/>WACM1</p> <p><input type="checkbox"/>WACM2</p> <p><input checked="" type="checkbox"/>Baseline</p> <p><input type="checkbox"/>No preference</p>
		<p>Innova strongly urge Ofgem to reject the proposals for a Progression Commitment Fee (PCF) of £20k/MW (or any value) and instead rely on the recently introduced Queue Management process (CMP376) and Original Red Line Boundary requirements (CMP427 and CMP434), which already set clear milestones for developers and provide incentives for</p>

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		<p>developers to progress projects in a timely manner.</p> <p>The PCF disproportionately increases financial risk at an early stage of development, outweighing any benefits. While Innova understand and welcomes the need to reduce the queue, this proposal risks eliminating many high-quality projects alongside "zombie" projects and poses a severe risk to the functioning of the development market in the UK.</p> <p>Innova believe the problem CMP448 is trying to solve will no longer exist once Grid Reform (CMP435) is implemented, and CMP448 should be rejected by Ofgem.</p> <p>The connection queue growth in recent years has been primarily due to applications for energy storage systems, with capacity in the queue at around 200GW-300GW. Innova believe the Gate 2 to Whole Queue process (CMP435) will reduce this to ~40GW of protected storage projects, and only projects that have planning and are protected under clause 2a will be given a Gate 2 connection offer. Therefore, all storage projects in the new queue will have already passed milestone M1.</p> <p>CMP435 will remove a significant number of projects from the connections queue, and the successful will be aligned with the Clean Power 2030 Action Plan. Innova believe new projects will need to be developed over the next decade to allow the UK to meet the Clean Power 2030 plan</p>
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		<p>and Net Zero. At a time when an increase in new projects will be required to replace stalled or unviable projects within the Clean Power 2030 plan, the PCF will create a significant barrier to entry and be a deterrent to new projects entering the connections queue, particularly for offshore wind and other projects that have a long lead time to submit planning.</p> <p>Ofgem have recently granted urgency to CMP447: Removal of designated strategic works from cancellation charges/securitisation. The defect in CMP447 suggests that high cancellation charges and secured cancellation charges are already a significant barrier to entry for viable projects. Innova believe the addition of a PCF will compound the issue of high cancellation charges and contradict changes being considered to the User Commitment methodology, such as CMP447.</p> <p>Innova believe no PCF should be introduced. However, if Ofgem were to believe a PCF was in the best interest of the industry, then Innova would recommend WACMI be implemented. A maximum PCF of £1,000/MW will provide a significant incentive for unviable projects to leave the queue early and be more manageable for SME's and embedded generators to finance. For clarity, Innova believe even £1,000/MW may</p>
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		be difficult for SME and large connections (>1GW) to finance.
3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<p>Innova supports using a Trigger Threshold instead of immediately implementing the PCF.</p> <p>Innova are supportive of NESO being able to choose if they should recommend the PCF is implemented once the threshold is reached and Innova are supportive of Ofgem having the final decision to implement the PCF only once the threshold is reached. Innova believe this approval mechanism provides additional safeguards to ensure the PCF is not implemented unnecessarily.</p> <p>Innova do not believe a decision should be made on CMP448 before the Gate 2 offers are issued by NESO, DNOs or iDNOs. If the modification is approved, there will still be significant uncertainty as customers will not know when the PCF will be triggered; it could be within a few months of a decision, or it could never be implemented. Therefore, unless the PCF is rejected by the Authority, there is no certainty provided by bringing forward a decision.</p>

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4	Do you have any other comments?	<p>Although CMP448 is not a charging modification, Innova believe the charges are not cost-reflective of the cost of failed projects to the electricity networks, which is a serious concern which Ofgem should take into consideration in addition to the CUSC objectives.</p> <p>The Proposer has stated that when a projects discounted operating cashflow is 98% of the discounted pre-commissioning costs, then further development expenditure would be paused and a PCF of £2,500/MW would be sufficient for the developer to self-terminate (figure 6, page 41 in the CAC report). The proposer stated that the 98% figure allows for the project failure rate. Innova believe this is fundamentally untrue and the proposer incorrectly assumed 100% of projects in pre-planning will be built. When calculating the appropriate value of the PCF the proposer has failed to acknowledge that a project will need to make a profit that will need to pay for the cost of failed projects in development, the fixed overheads of running a business that are not directly related to a specific project, and any shareholder returns. Therefore, the PCF value</p>

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		<p>should be significantly lower than £10,000/MW and may even be as low as £0/MW.</p> <p>Innova believes the PCF will incentivise developers to submit poor quality planning applications to avoid paying the PCF, even if they think a project is unviable. Innova do not believe Ofgem should be approving code modifications that will have a significantly negative impact on the planning process. A high number of low-quality planning applications may harm the reputation of renewable and energy storage projects with the public.</p>
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 comment.