

Public

## 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)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Brian Hoy	
<b>Company name:</b>	Electricity North West	
<b>Email address:</b>	Brian.hoy@enwl.co.uk	
<b>Phone number:</b>	07795 447817	
<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input checked="" type="checkbox"/> Distribution Network Operator <input 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*)

☐ **Confidential** (*this will be disclosed to the Authority in full but, unless specified, will not be*

Public

*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;*
- 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;*

## Public

- 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 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 type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
		<p>Whilst we support the intent of the modification, our view is that the proposal design has some fundamental flaws.</p> <p>The solution lets the queue from and is triggered based on the behaviour of those customers if the health of the queue is compromised. It then imposes additional</p>	

## Public

		<p>costs on other customers but only in the situation where there are issues with the health of the queue. So when new projects are needed to backfill any gaps in the queue, the mechanism makes it more onerous for these new projects to join.</p> <p>We therefore see no positive impact from the proposals and possibly some negative impacts due to the complexity of the proposal and the extra activities introduced. Our concerns are expanded on in the responses below.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The approach needs to be implemented so that it is applied to the formation of the queue as part of the CMP 434 and CMP 435 reforms.</p>
3	Do you have any other comments?	<p>Click or tap here to enter text.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input checked="" type="checkbox"/> Yes (the request form can be found in the <a href="#">Workgroup Consultation</a> Section)</p> <p><input type="checkbox"/> No</p> <p>We support some of the proposed alternatives to the Proposers solution and have commented on these in response to question 18.</p> <p>We also wish to raise an alternative proposal.</p> <p>In summary, this would remove the Trigger mechanism so that the PCF is applied to all projects accepting a Gate 2 offer. The intention is to incentivise only the most viable projects to enter the queue so that these improve the likelihood of CP30 targets being met. The alternative would give a six-month grace period after acceptance of a Gate 2 offer and therefore gives a no cost option for all projects. In particular, this removes an issue for some embedded projects which have M1</p>

## Public

		milestones due two months after acceptance. After the six months grace period, the PCF would increase in the six-month intervals and at the same values as the Proposers solution.
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
		<p>We agree that the period from Gate 2 acceptance to M1 (submission of planning permission) represents a risk area to the overall programme. The two key aspects that support its use are:</p> <ul style="list-style-type: none"> <li>• Submission of planning is within the developer's control</li> <li>• Other costs are likely to be low so there is a risk that projects stagnate for up to two years until the M1 milestone is due.</li> </ul>

Public

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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <p>We agree that progressively increasing the PCF creates the right incentive properties to encourage earlier decisions.</p> <p>We agree that six-monthly intervals are appropriate frequency and that aligning the periods to the review of securities and liabilities is sensible.</p> <p>However, for embedded projects where milestone 1 is due within two months, the requirement to post a security for such a short period is results in a disproportionate level of administration and places an unnecessary barrier for these projects before milestone management would be applied.</p>
8	Do you agree or disagree with the current design of the PCF (Progression	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## Public

	<p>Commitment Fee) in the CMP448 Original Proposal regarding to <b>the Trigger Metric</b>? Please provide the rationale for your views.</p>	<p>Whilst we understand why a Trigger Metric has been proposed, the concept does pose a risk to the delivery of CP30 as by definition it is only triggered when a problem is identified. By measuring cumulative capacity from terminated projects, until it reaches a pre-defined threshold, the Trigger metric introduces an inherent lag in incentivising optimal developer behaviour. This reduces the time and capability for other more viable projects to contribute to achieving the aims of Clean Power 2030.</p> <p>We think that voluntary withdrawals should be included in the measurement. On balance we think the risk to CP30 delivery is more important than the potentially marginal benefit of encouraging voluntary withdrawals. Voluntary withdrawals have the same impact on deliverability and therefore should be considered too. At an extreme, if all the projects in the queue voluntarily withdrew just before their M1 milestone was due then the Trigger mechanism would never activate!</p> <p>We also think that replacement projects should be removed from the measurement. It is not clear from the consultation how this would work with the introduction of application widows as part of Connections Reform. We anticipate that this will simply delay any triggering of the mechanism by six months and creates a complicated mechanism that will provide marginal impact. The precision that this is seeking is unwarranted compared to the broad approach taken to set the trigger threshold.</p> <p>We also think that using a rolling five-year period to measure would be more appropriate rather than resetting.</p>
--	---	---

Public

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.	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We agree that setting the threshold as a fixed number of GW is sensible as opposed to setting a fixed percentage. The proposed approach is simpler and more transparent.</p> <p>It is hard to comment on the 6GW value without greater visibility of the degree of overprogramming assumed. The exclusion of voluntary withdrawals means that the underlying queue health could be much worse than the 5% used to set the threshold.</p>
10	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding <b>the Trigger Activation Governance</b> ? Please	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>We support the transparency that NESO will publish that the mechanism has been triggered and its decision that is sent to Ofgem.</p> <p>The Ofgem response could be clarified to be a set timescale for Ofgem to veto the NESO decision. This means that the NESO decision stands if Ofgem does not</p>



## Public

	provide the rationale for your views.	<p>intervene within a set time period. This will provide a clearer outcome for all.</p> <p>We do not agree with the suggestion put forward to include a consultation process prior to activation as this is unnecessary, increases uncertainty and creates further delays.</p>
11	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> ? Please provide the rationale for your views.	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>There is a difficult balance to set the value to create an adequate incentive but not impose unreasonable costs that undermine the commercial viability of projects.</p> <p>The NESO approach seems reasonable to us.</p> <p>We see little benefit with the suggestion for different values based upon technology type as this complicates the process, in particular for hybrid sites.</p>

Public

12	<p>Do you agree or disagree with the methodology presented to the Workgroup by NESO regarding <b>safeguarding considerations</b>? Please provide the rationale for your views.</p>	<div> <input type="checkbox"/> Yes  <input type="checkbox"/> No         </div> <hr/> <p>We think it more appropriate for developers to comment on the assumptions made in this analysis.</p> <p>We think the implications for community energy schemes should also be considered.</p>
13	<p>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.</p>	<div> <input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No         </div> <hr/> <p>We have concerns that the PCF would be applied to embedded projects that typically have shorter milestones than directly connected transmission projects.</p>
14	<p>Do you agree with the Proposer's approach to <b>demand projects</b>?</p>	<div> <input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No         </div>

Public

	Please provide your rationale.	As this modification is urgent, we think it is the right approach to exclude Demand projects as the Final Sums Methodology applies.
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 <p>We agree the scenarios cover the most relevant situations. As the schedules and timelines become clearer, we expect there may be further nuances and detail to work through in later workgroup meetings.</p> <p>The representation of the scenarios is difficult to follow though. A clearer description of the variable time (based on when the offer is accepted) that each trigger level will be in place for would be helpful.</p>
16	Do you agree with <b>definition of Queue Health</b> put forward by	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Public

	the Proposer? Please provide your rationale.	<p>We agree that the period from Gate 2 offer acceptance to M1 is the period of highest risk. However, this focus on only a part of the process and does not necessarily cover off all the risks that could result in a project not eventually connecting.<sup>1</sup></p> <p>As set out in our earlier responses, we do not agree that the measurement of queue health is appropriate.</p>
17	<p>Do you agree that the Proposal adequately takes into consideration the <b>interface with embedded and distribution connected projects</b>? Please provide your rationale.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>The consultation does not fully set out how this approach will work for embedded projects.</p> <p>There are key aspects that need clarification:</p> <ul style="list-style-type: none"> <li>• Does it apply to embedded projects that have short timescales (eg two months) to M1 is due?</li> <li>• The solution describes the security having to be put up by the developer, is that the intention or will DNOs hold the risk?</li> <li>• How would replacement works for embedded projects?</li> <li>• For embedded projects, when is the Gate 2 offer deemed to be accepted?</li> </ul>

Public

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>We have the following comments for each of the proposed alternatives</p> <ol style="list-style-type: none"> <li>1. We support this as it removes a disproportionate administrative task and cost for embedded projects with shorter milestone periods.</li> <li>2. As outlined above, we think the removal of replacement projects would make the solution, quicker and more straightforward with marginal downside risk.</li> <li>3. We do not support measuring an apply the trigger at a regional level. If the trigger was reached in one region then this just a perverse incentive for developers to seek to invest in other regions rather than the one where there is an issue in meeting CP30 targets.</li> <li>4. This has some potential to create the right incentives to encourage earlier termination. However, it does add an extra level of complexity which may not be adequate to achieve that outcome without undermining the principle.</li> <li>5. This alternative needs further consideration. We see merit to ensure that the behaviours in one technology type do not adversely affect others. But it does create a similar effect as a regional split where it makes it harder for a particular technology type when extra projects to backfill are most needed.</li> </ol>

## Public

		<p>6. This seems similar to alternative 5 so same comments apply.</p> <p>7. This seems to undermine the intent of the solution.</p> <p>8. We are not clear how often 8 would occur so not sure if the extra complexity is warranted.</p>
		<p>Click or tap here to enter text.</p>