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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:	Nina Sharma	
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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 checked="" 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 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*

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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 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	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

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	<p>facilitate the Applicable Objectives versus the current baseline?</p>	<p>a) It is not clear whether the original proposal better facilitates the baseline as the reformed connections process is not yet implemented. We are unable to comment on whether this approach better supports the facilitation of connections to the grid under AO(a).</p> <p>b) Applying a fee to the connections process to deter projects from not progressing post-gate 2 acceptance may have negative consequences on promoting innovative projects and decrease competition as smaller projects may end up penalised. As a result, this proposal does not facilitate AO(b) versus the baseline.</p> <p>c) There has been no assessment to establish whether this proposal is compliant with the Electricity Regulation and any relevant legally binding decision. We are unable to comment on whether the proposal better facilitates AO(c) against the baseline.</p> <p>d) There has been no impact assessment to establish whether the introduction of the PCF would better facilitate AO(d) against the baseline. It is not clear whether the process would reduce administrative burden or reduce delays in the manner intended. The notice period given to projects in the queue does enable transparency however, there has been little evidence to suggest that this notice period is an apt amount of time for projects to prepare for the progression commitment fee.</p>
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2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>It is our view that this proposal is based on a defect not yet established or identified. We believe that this proposal should be implemented after a certain time-period has lapsed from the implementation date of the new connections process (CMP434/CMP435).</p>
3	Do you have any other comments?	<p>The new, reformed connections process has not yet been implemented and therefore, there is no defect for this proposal to try and overcome. We do not believe that the implementation of a Progression Commitment Fee (PCF) is an effective solution for the connections process. We recognise and acknowledge that a fee would deter projects that are not progressing from remaining in queue, however, penalising other projects that are in the same position within the queue can have significant negative impact on the future of future grid connections.</p> <p>It is unclear what costs the fees reflect and how the fees are then used or allocated post-payment.</p>
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 <p>We do not wish to raise an alternative at this time.</p>
5	Do you agree with the Workgroup's assessment that the modification does not	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	No further comments at this time.
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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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>We understand the rationale of the duration of the commitment fee from Gate 2 Offer acceptance to Milestone 1 on the basis that it is the longest duration during which unviable projects can persist in the queue without progressing. However, there has not been any quantifiable/demonstratable assessment of whether this duration (as opposed to another duration) would have the desired impact.</p>
7	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.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>We agree that a 6-monthly increase aligns with 6 monthly cadences of other existing CUSC security arrangements that developers are currently required to provide. There is still a risk that the profiled fee with 6-month increases would have consequences on developers and certainty on projects, particularly</p>

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		smaller projects, new technologies and projects wanting to increase/decrease TEC.
8	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Metric ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>We support the approach to the trigger metric being based on the 'queue health' however, we do not agree with the design of the PCF regarding the Trigger Metric as there is a lack of evidence/assessment/metric to indicate what the Trigger Metric would be and demonstrate that this chosen design will have the intended effect.</p>
9	Do you agree or disagree with the current design of the PCF (Progression Commitment Fee) in the CMP448 Original Proposal regarding the Trigger Threshold ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The Trigger Threshold is based on many assumptions (i.e. the composition on future Gate 2 connections queue and estimating the M1 dates of projects that have not already submitted planning). As stated earlier, this modification/ proposal is based on a defect that does not (yet) exist and therefore, is not proportionate to the real scale of what the connection queue will look like.</p> <p>Should this proposal progress, we are broadly supportive of the trigger threshold being held on a national basis to enable consistency and fairness however, we would be more supportive of an approach that also considers technology as part of the threshold. This would ensure the threshold remains relevant and</p>

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		effective in the long term, as technological changes occur.
10	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 ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>We support an approach where the Trigger Threshold is pre- defined.</p> <p>While we understand the rationale for NESO to review the Trigger Threshold of each subsequent 5-year period, we encourage NESO to consider enabling a review of the trigger threshold after the first 12 months of the PCF. In doing so, NESO are able to assess whether the defect is being addressed based on real-time data, and whether this solution is proportionate to the issue.</p>
11	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 ? Please provide the rationale for your views.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>We are inclined to agree that proposed £/MW value of the fee are suitable based on the rationale provided however, we do not feel that is appropriate for projects to be liable for these fees based on other projects not progressing. This places projects that are showing signs of progression at a significant disadvantage at no fault of their own.</p>

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		There is no evidence or assessment to establish whether the proposed £/MW amount is sustainable or proportionate.
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 No comments at this time.
13	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.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No No additional comments at this time.
14	Do you agree with the Proposer's approach to demand projects ? Please provide your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No We agree with the rationale set out in the consultation.

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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 <p>It is our view that the scenarios put forward by the proposer acknowledge the circumstances by which a PCF would/ would not apply. However, we ask that these scenarios are reviewed and amended over time in accordance with the evolving landscape of technology.</p>
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 <p>We acknowledge the rationale for the use of 'Queue Health' within the context of this process however, there should be a quantifiable metric to determine what is defined as 'Queue Health'. We support the suggestion that the metric should be based on volume.</p> <p>It is our view that this definition is supported by evidence or data to be an effective method of establishing when the PCF is activated.</p>
17	Do you agree that the Proposal adequately takes into consideration the	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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	<p>interface with embedded and distribution connected projects? Please provide your rationale.</p>	<p>We have no comments at this time.</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 <input type="checkbox"/> No</p> <p>We would be supportive of potential alternative 4 as it would offer relief for other projects and projects that self- terminate.</p> <p>We would also support an approach as set out in potential alternative 7, as it would enable time for developers to develop their project planning application in line with the PCF.</p>