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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:	Gemma Stanley	
Company name:	Octopus Energy	
Email address:	gemma.stanley@octopus.energy	
Phone number:		
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 facilitate the	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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	Applicable Objectives versus the current baseline?	<p>Octopus understands the intention behind NESO implementing CMP448 and its efforts NESO's ability to manage and connect projects inline with the CP2030 plan.</p> <p>However, due to our concerns regarding the design of the proposal (discussed further below), the disproportionate impact it would have financially on smaller developers, and the knock on impact to competition in the market, we do not consider the proposal better facilitates Objective A or B compared to the status quo. No opinion is shared on Objective C or D.</p> <p>Furthermore, whilst we understand the rationale for introducing financial hurdles as an incentive to developers, we consider that a dynamic queue system is the optimal way to manage projects, whereby projects that are ready to connect first are supported with moving forward, if they are further behind in the order.</p>
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3	Do you have any other comments?	<p>Whilst we recognise the intention and principle behind what CMP448 is trying to achieve, we are concerned it extends beyond its intended purpose and that it will put at risk viable projects contributing to CP2030's goals due to the financial strain of the PCF. This is due to the impact the proposal's current design and implementation approach will have on technologies and projects with longer timeframes and connection dates further in the future.</p> <p>Furthermore, we are concerned with the disproportionate impact on smaller developers such a</p>

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		<p>fee will have and the impact this could have on project viability and competition in the market.</p> <p>Our concerns with the current design are discussed and reflected in our comments below in the working group specific questions.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)</p> <p><input type="checkbox"/> No</p> <p>We would support the further exploration of alternatives that amend the PCF inline in ways such as:</p> <ul style="list-style-type: none"> • Timing: the proposed PCF puts at risk projects with longer timeframes, such as those with connection offers beyond 2030. Linking the PCF to the M1 milestone would prevent projects being exposed to the PCF for longer than 2 years and so minimise the risk to project viability that smaller developers in particular would have to contend with, as in line with Alt 7 proposal. . • Trigger: the 6GW threshold is both an arbitrary and blunt mechanism to assess queue health, which could result in the trigger being hit due to a small number of large individual projects exiting the queue (such as an offshore wind development). We recommend that the trigger metric includes both a number of projects threshold as well as GW volume to indicate queue health. We would also welcome further consideration of alternatives proposed such as the trigger being segmented by different locations and/or technologies.

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		<ul style="list-style-type: none"> • Fee cap: a maximum fee per project should be introduced in addition to a maximum cap per MW. • Minimise developer exposure to PCF and User Commitment: developers already face potential costs from the user commitment fee, which focuses on driving behaviour in an overlapping area to the PCF that has not been fully considered in these proposals. The overlap between these two potential costs warrants further exploration and CMP448 should limit developers exposure to both fees by setting a maximum aggregate liability amount across both and the ability to set off any fees payable under one against the other. This would minimise the risk of perverse impacts arising from the interactions between these mechanisms. • Non-cash based payments should be permissible: as is the case with other grid liabilities, PCF should accept letter non-cash based methods such as credit, parent company guarantees etc. • PCF design : the PCF should be considered a deposit for successful projects, meaning if the PCF is triggered during their application process and they successfully connect they should receive their PCF payments back. Equally, if the project is delayed or fails as a result of an issue outside of their control (e.g. the planning authorities do not approve the application, transmission works take longer than envisaged), then the PCF should be frozen when delayed, and not be subject to any step up in payment
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		costs at the 6 month timescales, and in the case of a project failure due to these types of issues the PCF should be returned.
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

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 type="checkbox"/> No
		<p>We recognise the concern of NESO and its intention to tackle the duration of time between G2 Offer Accepted and M1. We also agree with the amendment NESO has made with regard to delinking this proposal from M2, which is outside of a developers control.</p> <p>Whilst we agree with the principle behind the duration of this milestone, such a design will have a different impact on different technologies and their timeframes, with particular risk facing projects and developers with connections further in the future, such as beyond 2030.</p>

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		<p>In doing so, the PCF puts at risk viable renewable projects that would contribute to achieving CP2030 targets.</p> <p>As such, we do not agree with the duration of the fee and recommend that it instead be linked to the M1 milestone, in order to limit the potential exposure of developers with longer connection timeframes. We see merit exploring Alt 7 in limiting the time PCF is payable to 1 year.</p> <p>What's more, we recommend a design that ties the trigger of payment to the point at which a project receives planning consent - if the PCF is linked to submitting planning application then payments could be dependent on waiting for approval from a local authority. One option could be to introduce a smaller fee to incentivise planning submission entries and then introduce the PCF once planning approval has been granted, thereby incentivising the same behaviour from developers in a more proportionate application.</p> <p>Another consideration could be to introduce the PCF when triggered to any projects which do not progress to the next milestone in a determined timeframe. We do not consider it appropriate for the PCF to be applied to projects in the pre-planning determination phase.</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	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Whilst the progression away from a flat fee of £20,000 is welcome, the proposed profiled fee which progressively increases on a 6 month basis at a set increment could still result in technologies with connection dates further</p>

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	<p>provide the rationale for your views.</p>	<p>in the future to be exposed to the PCF for beyond the 2 year duration.</p> <p>Equally, there is a high uncertainty and risk over what duration projects will be exposed to, which will result in different developers and projects facing a wide variety of impacts from the PCF depending on their lead times, stage of development and at what point in their development the PCF is triggered.</p> <p>For instance, it is possible that for technologies with connection dates after 2030, if the PCF is triggered early in their connection then the exposure to the PCF costs could exceed beyond 2 years and have a significant financial impact on the developer. Equally, it could result in projects submitting planning applications earlier than what would be optimal to minimise the exposure to PCF, which could then risk their planning permission expiring before a grid connection is possible.</p> <p>As such, it is recommended that the requirement to provide the PCF is linked to be started 1 year before the M1 milestone date to minimise the extended period of time developers would be exposed to the PCF.</p> <p>Any delays in the grid connection date not caused by the developer (e.g. transmission works take longer than envisaged or project can't be connected as envisaged due to outages) should see a freeze in any step up to the payment as opposed to just being triggered by 6 month timescales. These would be equivalent to increase liability 'freezes' similar to those currently in place due to the CP30 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 the Trigger Metric? Please provide the rationale for your views.</p>	<div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>We agree with the principle that the PCF should remain dormant until triggered however, disagree that the Trigger Metric is an accurate measure of queue health and consider the 6GW volume as an arbitrary and blunt evaluatory option. This is because only linking the trigger to a 6GW volume could see the trigger be strongly influenced by one large project, such as an offshore wind development, failing to meet its milestones. It does not seem appropriate for a trigger to be a risk from being linked to a very small subsection of projects in the queue.</p> <p>We therefore recommend linking the trigger to a metric that includes both a number of projects and volume in GWs.</p> <p>Once triggered, a review of queue health must be periodically incorporated into the process to ensure the PCF does not continue indefinitely unnecessarily.</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? Please provide the rationale for your views.</p>	<div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>See above</p>

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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.	<div data-bbox="603 398 689 430"><input type="checkbox"/> Yes</div> <div data-bbox="603 465 673 497"><input type="checkbox"/> No</div> <div data-bbox="603 600 1430 824">We agree that having a set trigger activation, timeframe and governance process with sign off across NESO and Ofgem is important to provide some level of visibility and transparency with regards to the risk of the PCF being activated at certain points.</div>
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.	<div data-bbox="603 1133 689 1164"><input type="checkbox"/> Yes</div> <div data-bbox="603 1200 673 1232"><input type="checkbox"/> No</div> <div data-bbox="603 1335 1430 1469">No, although the £/MW value has been reduced from £20,000 the current proposal could severely impact viable projects and technologies from being connected.</div> <div data-bbox="603 1496 1430 1917">Although we agree in principle with the lowering of the £/MW value and the incrementally increasing approach NESO as suggested, it is difficult to evaluate the £/MW value distinctly from the timeframe it could be applicable for and the interaction the PCF fee will have with other fees such as the User Commitment. As such, we disagree with the design of these elements and the impact they could have on a project's viability in combination with each other.</div> <div data-bbox="603 1944 1410 2024">This is because the PCF's impact would impact smaller developers' projects disproportionately and put a risk</div>

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		<p>the viability of existing projects in the connections process. Equally, it could also deter future projects from applying that could contribute to the CP2030 targets due to the risk of the PCF being triggered.</p> <p>Similarly, the PCF puts developers at risk from being exposed to both the User Commitment fee and the PCF – despite these fees both focusing on related areas of connection behaviour.</p> <p>We recommend exploring the following recommendations:</p> <p>Linking the PCF to the M1 milestone to prevent higher exposure for projects which have connection dates further in the future.</p> <p>Limiting the exposure for liabilities developers are exposed to in this phase so that there is a maximum threshold set for the exposure of developers to the User Commitment and PCF, and the ability to set off any fees payable under one against the other.</p> <p>Introducing a maximum fee per project in addition to a maximum cap per MW.</p> <p>Finally, the PCF should be considered a deposit for successful projects, meaning if the PCF is triggered during their application process and they successfully connect they should receive their PCF payments back. Equally, if the project is delayed or fails as a result of an issue outside of their control (e.g. the planning authorities do not approve the application, transmission works take longer than envisaged), then the PCF should be frozen when delayed, and not be subject to any step up in payment costs at the 6 month timescales, and in</p>
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		the case of a project failure due to these types of issues the PCF should be returned.
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 type="checkbox"/> Yes <input type="checkbox"/> No
		We recommend that non-cash based payments should be permitted for the PCF as is the case with other grid securities, this would include letter of credit, parent company guarantees etc. Without this, the issue of smaller developers being unfairly disadvantaged is enhanced.
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 type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.
14	Do you agree with the Proposer's approach to demand projects ? Please provide your rationale.	<input type="checkbox"/> Yes <input type="checkbox"/> No

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		Click or tap here to enter text.
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 Click or tap here to enter text.
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 Please see previous comments on queue health definition.

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17	<p>Do you agree that the Proposal adequately takes into consideration the interface with embedded and distribution connected projects?</p> <p>Please provide your rationale.</p>	<div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> Click or tap here to enter text. </div>
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>	<div> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <div> <p>Potential alternative 7: "Pause and align with revised M1 dates in Gate 2 offers. With this potential alternative the PCF would only be applicable (submit security) 1 year before the project's M1 date. This allows developers time to develop their project planning application and de risk 3rd party ecology issues ahead of security / penalty being applied. This would also allow a mod app/revise TEC before by project developers prior to higher £/MW PCF penalty being imposed"</p> <p>Potential alternative 3 "This potential alternative would apply the PCF to projects wanting to connect according to the which of the 18 ETYS (Electricity Ten Year Statement) zones the project was located in. The Trigger Threshold and its applicability would be calculated within each of the 18 ETYS zones and would apply within that ETYS zone. The cumulative 6GW (as proposed in the Original) would be set proportionately</p> </div>

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		<p>within the 18 ETYS zones against the current background in combination with the existing Gate 2 connections queue TEC. The 6GW for the whole of the GB network would therefore be superseded, in this solution, as the Trigger Threshold would be on an ETYS zone basis.”</p> <p>Potential alternative 6: “To replace the global Trigger Metric of 6,000MW with technology specific Trigger Thresholds.”</p> <p>Proposal alternative 8: We agree with the proposal to cap PCF liability at the maximum of the sum of PCF and User Commitment</p> <p>Click or tap here to enter text.</p>
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