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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 [usc.team@neso.energy](mailto:usc.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](mailto:Joseph.henry2@neso.energy) or [usc.team@neso.energy](mailto:usc.team@neso.energy)

Respondent details	Please enter your details	
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<b>Which best describes your organisation?</b>	<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)

☐ **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:**

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- 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;*
- 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;*

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- 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.

**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 checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
		WACM1	<input type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
		WACM2	<input type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input type="checkbox"/> iv <input type="checkbox"/> None

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		<p>Drax is supportive of addressing the critical issue of grid connection delays. The following points provide our views on whether the original proposal, WACM1 and WACM2 better facilitate the CUSC objectives:</p> <p><b>AO(i) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence</b></p> <p>The introduction of a progression commitment fee (PCF) acts as an incentive for developers to self-select out of the queue or sell their project in a timely manner, however, we are uncertain on whether this mechanism will be sufficient to achieve the overall objective. Furthermore, there is limited evidence to demonstrate that this mechanism alone will significantly help expedite connections for viable projects.</p> <p>Neither WACM1 nor WACM2 are considered to better facilitate AO(i). We do not believe WACM1's proposal to reduce the PCF by a factor of 10 would be enough of an incentive for developers to leave the queue or sell their project in a timely manner. We also do not consider WACM2 to better facilitate AO(i) as it has the potential to further delay the termination of non-progressing projects as a result of the Mod App process being followed.</p> <p><b>AO(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</b></p> <p>Introducing a financial incentive is seen to positively influence AO(ii) by enhancing competition, enabling faster rates of delivery, and leading to net zero benefits. This is because it discourages speculative projects, freeing up capacity for committed projects. We therefore believe all the proposals better facilitate</p>
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		<p>AO(ii) compared to the baseline. While WACM2 offers only marginal benefits over the baseline, its ambiguities, particularly around the calculation and conditions for termination discount, could inadvertently encourage strategic, less committed behaviour. This could result in developers taking advantage of unclear rules to reduce their financial obligations without genuinely advancing projects.</p> <p><b>AO(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency</b></p> <p>We have not identified any impact by any of the proposals on AO(iii) and therefore they are considered neutral relative to the baseline.</p> <p><b>AO(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements</b></p> <p>The original proposal, in comparison to the baseline, necessitates developers paying a fee if their projects do not progress. While this could introduce some administrative complexity, we believe that adding the further step of a discount for self-termination (as proposed under WACM2) would create an unnecessarily complex administrative burden. WACM1 represents a reduction of the PCF by a factor of 10 and would be applied in the same way set out in the Original Proposal. Therefore, the original proposal and WACM1 are seen as having a relatively neutral or slightly positive impact on AO(iv) by avoiding excessive administrative complexity.</p>
2	Do you have a preferred proposed solution?	<p><input checked="" type="checkbox"/> Original</p> <p><input type="checkbox"/> WACM1</p> <p><input type="checkbox"/> WACM2</p>

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		<input type="checkbox"/> Baseline  <input type="checkbox"/> No preference
		<p>We support the rationale for proposing to introduce a financial incentive into the connection process. However, it is our view that WACM1 and WACM2 could perversely incentivise customers across various stages of the PCF process. For example, in the case of WACM1, the lower threshold may not be high enough to encourage developers to leave the queue in a timely manner. WACM2 may also encourage developers to remain in the queue until the latest opportunity.</p> <p>Of the solutions proposed, the original proposal is our preferred option. However, we acknowledge that the introduction of a financial incentive may be prohibitive for smaller projects that intend to progress past Milestone 1 as they may be unable to post £2,500 per MW.</p> <p>Reducing the Progression Commitment Fee by a factor of 10, as proposed in WACM1, significantly lowers the incentive for customers. It enables developers to accept Gate 2 offers without having viable projects, potentially delaying other projects.</p> <p>WACM2, which introduces a 75% discount upon self-termination, increases the risk of perverse incentives for customers to self-terminate at the latest possible opportunity. While WACM2 would incentivise projects to self-terminate in order to pay a lower fee, this may not be sufficiently effective on its own because it may not deter developers who may see the discounted</p>

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		fee as an acceptable cost for delaying or abandoning unviable projects.
3	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		If this modification is accepted by Ofgem, then the change should be implemented in advance of Gate 2 offers being accepted.
4	Do you have any other comments?	<p>We question whether this modification will achieve its intended objective. While we acknowledge that a financial incentive can deter unviable projects from entering the queue, we are concerned it may not promote the right behaviour.</p> <p>There is also a lack of impact analysis to demonstrate that the introduction of a PCF will discourage developers from joining or remaining in the queue with unviable projects, and that it won't impact viable projects that should join the queue. For example, projects with new/innovative technology or long lead times may refrain from developing due to the risk associated with not reaching Milestone 1 and being required to pay the PCF. Moreover, there is insufficient evidence to support the 6000MW initial threshold for triggering the fee. We therefore encourage NESO to consider the associated risks and benefits of the proposed threshold.</p> <p>Finally, we recommend amending the five-yearly review of the cumulative total to an annual review.</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?	We 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.
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