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Workgroup Consultation Response Proforma

CMP447: Removal of designated Strategic Works from cancellation charges/securitisation

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@neso.energy by **5pm** on **04 August 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 sarah.williams@neso.energy or cusc.team@neso.energy

Respondent details	Please enter your details	
Respondent name:	Barney Cowin	
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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 type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

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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 Workgroup, 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.

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For reference, 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;*
- 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.

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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 Workgroup Consultation questions				
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe the Original solution better facilitates than the current baseline:		
		<table border="1"> <tr> <td>Original</td> <td> <input checked="" type="checkbox"/>i <input checked="" type="checkbox"/>ii <input type="checkbox"/>iii <input checked="" type="checkbox"/>iv <input type="checkbox"/>None </td> </tr> </table>	Original	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None
		Original	<input checked="" type="checkbox"/> i <input checked="" type="checkbox"/> ii <input type="checkbox"/> iii <input checked="" type="checkbox"/> iv <input type="checkbox"/> None	
<p><i>i. The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;</i></p> <p>The proposal introduces greater efficiency as it seeks to streamline and refocus the securities process to ensure firstly that generators are appropriately charged, thereby reducing any further need for review/challenge and introducing greater industry certainty, and that the security process is more closely aligned to strategic planning. However greater efficiencies might be attained by linking more specifically to the CSNP, removing potential additional inefficiencies of an independent designation process outside of the</p>				

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		<p>CSNP – see response below in relation to legal text for further information.</p> <p><i>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;</i></p> <p>This objective is better facilitated by cancellation charges being more reasonably and proportionately applied to generators, avoiding some generators facing disproportionately high charges for strategic works that were not initiated by them. This allows for more effective competition.</p> <p><i>iii. Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **;</i></p> <p>We are of the view that this proposal is neutral for this objective.</p> <p><i>iv. Promoting efficiency in the implementation and administration of the CUSC arrangements.</i></p> <p>For the same reasons as objective (i), we believe that the proposal promotes greater efficiency in the implementation and administration of CUSC arrangements.</p>
2		<input checked="" type="checkbox"/> Yes

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	Do you support the proposed implementation approach?	<input type="checkbox"/> No <p>We support the proposed implementation approach, but stress that alignment with Gate 2 is necessary to ensure that all projects are presented with an offer that incorporates the outputs of this modification.</p> <p>Additionally, for reasons outlined in section 5 below, it is necessary that the implementation approach takes account of strategic planning reform, specifically the CSNP.</p>
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input checked="" type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section) <input type="checkbox"/> No <p>Potentially yes, depending on the outcomes of the workgroup – introducing CSNP specifically in the legal text – see section 5 below.</p>
5	Does the draft legal text satisfy the	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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	intent of the modification?	<p>The proposal outlines that the designations 'are expected to be of transmission works that would be constructed regardless of the progression/construction of individual pre-commissioning Generators and/or for assets already guaranteed under the price controls framework ', including ASTI, LOTI and MSIPs.</p> <p>The ASTI, LOTI and MSIP frameworks predate both connections reform and network strategic planning through the CSNP. They were transitional but necessary initiatives to accelerate and manage grid reinforcement, but will be superseded by CSNP which will detail a list of specific reinforcements.</p> <p>I reference NESO in the draft CSNP Methodology that 'in planning the transmission network, the CSNP will establish a delivery pipeline of reinforcements and provide certainty on necessary investments'.</p> <p>Following connections reform only legitimate and progressing projects will continue to have connection agreements, so it can be assumed to a much greater degree of certainty that the reinforcements required to connect those projects and ensure system stability would continue to be built as the capacity replacement mechanism would ensure that there would be no stranded</p>
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	<p>reinforcement assets should some projects terminate.</p> <p>Under RII03 , Ofgem will fund CSNP identified projects, differing from the previous approach that required ASTI, LOTI and MSIP mechanisms to enable specific works.</p> <p>The express purpose of the CSNP is to arrive at a list of required reinforcements to provide investor and industry certainty, and in this context it is our view that identification of the works in the CSNP is sufficient in itself to warrant inclusion in the definition of ‘Excepted Works’, without an additional designation step by Ofgem.</p> <p>Applying an independent designation process by Ofgem would introduce not only another process with uncertain timescales and applicable criteria, but also confusion around reinforcement classification whereby some works designated strategically under CSNP would be Excepted Works by Ofgem, while others would not. This would defeat the express intention of the CSNP and would result in investor and industry uncertainty.</p> <p>To this end, we propose that the Legal Text replaces ‘or otherwise so designated by the Authority’ with something to the effect of ‘or those works designated in the Centralised Strategic Network Plan (CSNP) and any successor strategic network plans’. Concerns expressed in the</p>
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		workgroup over the possibility of name changes of named schemes can be addressed directly through careful legal drafting that ensure this is accommodated.
6	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

7	Can you suggest a better definition, than those put forward in the Workgroup Consultation of how Ofgem might	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		See section 5 above for a suggestion for a better definition.

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	exercise its discretion in relation to designation of transmission works?	
8	Can you suggest an alternative approach to adjustment of the 'fix' of the Attributable Works to that in the Original Proposal?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>We presented the view in the workgroup that there are certain circumstances whereby it would be more appropriate to allow the fix to be reversed and to have the choice of profile returned to the Actual Attributable Liability profile. Such circumstances were cited as for when larger projects are faced with redundant pre-trigger costs year on year due to the structure of the fix, despite no work being undertaken at that point. At the point of a Generator's original decision to fix, there would at that time have been no visibility of local works as these are enveloped in the total works including those deemed strategic, so would have taken a decision to fix on the basis of the significant pre-trigger costs driven by the strategic works (but not the smaller local works which may well not commence for many years). The impact of this is that subsequent removal of the strategic works would mean that the generator remains committed to the pre-trigger £/MW costs which may well be much higher than an actual build</p>

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		costs, but would not have an opportunity to review whether this is in fact appropriate. On this basis, the stated view was that a one-off exercise to provide the opportunity to reverse the fix would be appropriate.
9	Do you consider that if works are to be removed from the Attributable works cancellation charge (and therefore not securitised via the Attributable Works component of a Generator's potential cancellation charge), because they are designated as "Excepted", the definition of wider works cancellation charge should be altered so as to remove them from the wider works cancellation charge?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Whilst are of the view that moving the works to wider cancellation charges might still result in disproportionate increases to some generators as a result of disproportionately small ETYS zones, we feel that this should be reviewed outside of this modification. The scope of this modification is focussed on the attributable element and introducing material changes to the wider cancellation charges would only elongate this process. We are of the view that wider cancellation charges and the allocation process to ETS zoning does urgently need to be reviewed within the context of strategic planning and the CSNP, through a separate process.</p>
10		<input checked="" type="checkbox"/> Yes

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	Following on from Question 9, does this require a different modification if so?	<input type="checkbox"/> No
		This should be addressed in a separate modification, within the context of strategic planning and transmission charging reform.
11	Is it important is it for this solution to be implemented in time for Gate 2 offers being issued? Please explain your rationale.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		This modification was granted greater urgency for the purpose of alignment with connections reform, and it remains necessary that the outputs can be accommodated as part of the Gate 2 to the whole queue process.