Public

Workgroup Consultation

CMP470:
Introducing an Oversubscribed Technologies Commitment Fee

Overview: This modification seeks to introduce a floor on securities through an Oversubscribed Technologies Commitment Fee for all technologies which are oversubscribed relative to Clean Power 2030 capacity targets.

Modification process & timetable

1. **Proposal Form**
   27 March 2026
2. **Workgroup Consultation**
   24 April 2026 – 30 April 2026
3. **Workgroup Report**
   28 May 2026
4. **Code Administrator Consultation**
   08 June 2026 – 15 June 2026
5. **Draft Final Modification Report**
   18 June 2026
6. **Final Modification Report**
   30 June 2026
7. **Implementation**
   01 January 2027

Have 10 minutes? Read our Executive summary
Have 120 minutes? Read the full Workgroup Consultation
Have 180 minutes? Read the full Workgroup Consultation and Annexes.

Status summary: The Workgroup are seeking your views on the work completed to date to form the final solution to the issue raised.

This modification is expected to have a: High impact on generation Developers and a **Medium Impact** on Transmission Owners

Governance route	Urgent modification to proceed under a timeline agreed by the Authority (with an Authority Decision)	
Who can I talk to about the change?	**Proposer:** Andrew Enzor Andrew.enzor@field.energy	**Code Administrator Chair**: Claire Goult Claire.goult@neso.energy
How do I respond?	Send your response proforma to cusc.team@neso.energy by **5pm** on **30 April 2026**	

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Executive Summary

The Connections Reform programme, known as Target Model Option 4 Plus (TMO4+), aimed to enhance network planning and boost investor confidence by ensuring only "ready" and "needed" projects received Gate 2 Offers to connect to the electricity system. The allocation by NESO of '*protected*' status to projects have led to an '*oversubscription*' with more projects (megawatts - MW) receiving Gate 2 Offers than what the National Energy System Operator (NESO)/ Department for Energy Security and Net Zero (DESNZ), via the Clean Power 2030 (CP30) Action Plan, say is needed. This is particularly notable for Battery Energy Storage Systems (BESS) projects. This oversubscription undermines the intended benefits of TMO4+, as Transmission Owners (TOs) cannot confidently plan the network and connections for all projects that are delayed due to uncertainty and queue congestion.

What is the issue?

The Proposer asserts that changing protections introduced by CMP434 and CMP435 would undermine investor confidence, so NESO needs an alternative approach to swiftly reduce oversubscribed technologies without harming established contract terms.

The Proposer considers that, currently, there is insufficient incentive for unviable projects to leave the new (post the Gate 2 to Whole Queue (G2tWQ)) arrangements implemented via CMP435 connections queue and no mechanism to prioritise the most economic projects.

What is the solution and when will it come into effect?

Proposer's solution: The Oversubscribed Technologies Commitment Fee (OTCF) is a financial measure intended to ensure efficient use of grid connections. It is a charge applied to projects in oversubscribed technology types required to be fully securitised, acting as a top-up to ensure overall securities meet a defined minimum. It is recalculated for each project biannually based on the level of oversubscription and each project's pre-existing securities profile. The OTCF remains in force until a project's energisation, with its level and applicability adjusted according to changes in oversubscription and technology capacity targets and includes co-located and both transmission and distribution connected projects.

Implementation date: 01 July 2027

Summary of potential alternative solution:

Alternative Request 1 Alternative Implementation Date

The implementation of Alternative 1 would be 12 months after the last Gate 2 offer has been issued. This is currently estimated to be March 2028 given that the current agreed date for the latest Gate 2 offers is March 2027.

Alternative Request 2 - Alternative Fixed One-Off Security

Proposes a fixed £1.5k/MW OTCF fee payable 9 months from date of acceptance of the Gate 2 offer as a one-off payment and fully refundable on energisation.

What is the impact if this change is made?

The change will impose higher Cancellation Charges and securities on Developers of oversubscribed technologies, but in the medium term will benefit all Developers and Transmission Owners by streamlining the queue and accelerating network connections.

Interactions

No interactions currently identified.

What is the issue?

What is the defect the Proposer believes this modification will address?[1]

The two primary intended benefits of Connections Reform, as stated by Ofgem in its 15 April 2025 TMO4+ decision[2] were:

- "More efficient network planning, build and connections – Network companies will have improved clarity on the projects that are 'ready' and 'needed'… This will result in more focused, efficient network planning…"
- "Increased investor confidence for ready and needed projects – Following reform, new entrants will have a clearer signal about what technologies to invest in and where to locate… Existing projects with 'Gate 2' offers will have increased confidence that the required network will be built, due to the more efficient network planning, and their project will be able to connect on time…"

These were intended to be achieved by reducing the connections queue to only the subset of projects which were "ready" and "needed". Those projects would receive Gate 2 Offers and the network would subsequently be designed to accommodate precisely those projects.

NESO introduced a series of "protections" for projects which have, in some instances, led to a greater volume of projects being expected to receive Gate 2 Offers than the target capacity in the CP30 Action Plan. For example, all projects with planning consent (that were submitted prior to 20 December 2024) are protected and so will receive Gate 2 Offers, even if the target capacity in the CP30 Action Plan is exceeded.

Planning permission to protect projects sets a relatively low bar. Real-world development considerations like third-party land rights, ground conditions, onerous planning conditions, deliveries of abnormal indivisible loads (for larger projects) etc and financing considerations like revenue forecasts, asset availability, extent of TO works, network charges, offtake agreements and lending terms are also relevant to determine whether a project can proceed. "Ready" as defined in grid connection reform is not the same as ready to construct in project development terms.

[1] Please note this section reflects the view of the Proposer and not the Workgroup.
[2] https://www.ofgem.gov.uk/decision/decision-connections-reform-package-tm04

In the case of BESS, protections have led to significant oversubscription[3]. NESO has identified that over 90 Gigawatt (GW) of BESS capacity is built or will receive Gate 2 Offers[4] against a 2035 target of 29GW[5].

The oversubscription is likely to increase as further protected projects come forward. Projects which submitted planning prior to 20 December 2024 and which are consented after the closure of the Gate 2 evidence submission window in August 2025 are protected in a future Gated Application Window, which the Proposer estimates (based on analysis of Solar Media's pipeline database as at March 2026) will add a further 12GW of battery storage to the oversubscription.

Unabated gas is oversubscribed by approximately 20% whilst nuclear is slightly oversubscribed. Other technologies are not currently materially oversubscribed but may become so when protections are applied in future Gated Application Windows.

For solar, 69GW are built or will receive a Gate 2 Offer, precisely meeting the target in the CP30 Action Plan. A further 4GW could be protected in future Gated Application Windows (based on analysis of Solar Media's pipeline database as of March 2026), introducing a small oversubscription. Onshore wind is similar, albeit slightly undersubscribed currently and potentially becoming oversubscribed by 1GW.

For BESS, there are materially more projects receiving Gate 2 Offers than are "needed". There are also materially more projects than are likely economic in the market. NESO and TOs are therefore planning the network for more projects than are needed or will be developed, undermining the first objective above. It also means that projects with Gate 2 Offers do not have increased confidence as intended because they continue to be stuck behind other projects in the queue. Some of the best projects - the ones that are genuinely ready to enter construction - will still be stuck behind projects that may not be able to resolve issues and remain financially attractive.

NESO have existing tools which include Queue Management Milestones and User Commitments (securities), these were introduced by CMP376 and CMP192 respectively, but these are not considered sufficient to reduce the queue from the volume of projects which receive Gate 2 Offers down to the volume "needed" in a timely manner. The market will likely deliver that outcome in the long-term. For BESS, most market forecasters project less than 25GW by 2030 based on economic dispatch models;

[3] The application of the OTCF would be based on oversubscription calculated based on **signed** Gate 2 Offers relative to CP30 targets. Most Gate 2 Offers have not yet been issued nor signed, so analysis of oversubscription today is based on Offers NESO expects to issue

[4] https://www.neso.energy/document/374936/download

[5] https://assets.publishing.service.gov.uk/media/67f3b417d3f1efd2ce2ab8a5/clean-power-2030-action-plan-connections-reform-annex-update.pdf

significantly more than that volume will cannibalise revenues and not be economic. Waiting for the market to take its course to reduce from 90GW to ~25GW is effectively reverting to the pre-TMO4+ paradigm in which NESO and TOs have no certainty on which projects will connect, and the best projects are held up behind other projects holding queue positions and preventing effective delivery.

Crucially, this is not only a problem for oversubscribed technologies themselves. As soon as one technology is oversubscribed, the objective of Connections Reform to enable the TOs to have high confidence of which projects will connect and can therefore build out the network to accommodate them fails. The TOs either:

- Assume all projects (including oversubscribed) will connect, with the network designed and built to accommodate them. This results in far more connection bays being planned than are required.
- Assume attrition, in which case TOs no longer have confidence on which subset of projects from the queue of oversubscribed technology will connect, preventing the level of certainty required to build out the network

Either of these options will slow down connections for all projects.

Why change?

It would be harmful to investor confidence for NESO to change protections introduced by CMP434 and CMP435, either retrospectively or for protections which have not yet been realised. Reneging on connection contracts once was harmful enough; doing so twice would be unwise. So, another mechanism is needed to reduce the capacity of oversubscribed technologies down to the level required more quickly than the market alone will deliver.

The primary reasons for change therefore are two-fold:

There is **insufficient incentive on projects which receive Gate 2 Offers but which are either not buildable or economically attractive to leave the queue**. In fact, the value placed on a Gate 2 Offer incentivises unviable projects to remain in the queue for as long as possible, to "buy time" to resolve problems or in the hope of improved project economics.

Many projects have very low Cancellation Charges and securities, particularly in the earlier stages of development. For example, projects which will use a pre-existing substation bay will likely have zero securities prior to Trigger Date (at which point wider securities are applied). Remaining in the queue is therefore a free option for projects with the most attractive grid connections. Some of those projects will not be viable but

currently face no incentive to leave the queue until progression milestones bite and/or securities ramp up closer to connection.

Even projects with complex Attributable Works can have low Cancellation Charges and securities by opting for a fixed security profile that is capped at £3k/MW until the Trigger Date.

There is no mechanism by which **NESO can select the most economically viable projects from those which are protected**. The connections methodologies treat all projects with planning consent as equally viable. That does not reflect commercial reality – some projects with planning consent will be more economic than others; it is in consumers interest for the most economic to proceed.

The most economic projects may naturally come to the fore over time as less viable projects leave the queue, either as securities ramp closer to connection or queue management milestones bite. That is a slow solution, effectively recreating pre-TMO4+ arrangements. During that time, TOs will design networks for a large cohort of projects, while only a subset of which will connect.

A financial mechanism to quickly reduce oversubscription will deliver a better outcome for consumers.

The Original Proposal form can be found in **Annex 01**.

What is the solution?

Proposer's Original solution

The solution has been updated following discussion with the Workgroup, see pages 21-28.

To introduce an Oversubscribed Technologies Commitment Fee (OTCF), required to be fully securitised.

The OTCF will apply to all projects in an oversubscribed technology type as an addition to the Cancellation Charge. It will be required to be fully secured.

The level of the OTCF will be calculated on a project-specific basis and will fluctuate over time in each biannual Cancellation Charge statement. It will be set at a level which ensures that the total security to be placed for each project of the relevant technology type is not less than a defined securities floor. For projects with securities already exceeding the floor, the OTCF will not apply. For those with securities below the floor, the

OTCF will act as a "top-up" to the Cancellation Charge, calculated to set the total security required to be equal to the floor.

Ahead of each bi-annual securities statement, NESO will assess and publish the total capacity of each technology which:

- Is operational
- Has a countersigned Gate 2 Connection Agreement
- Has received but not yet accepted a Gate 2 Connection Offer
- Is expected to receive a Gate 2 Offer following a recent Gated Application Window, but where that Gate 2 Offer has not yet been issued (for example, as of March 2026 all Gate 2, Phase 1 and Gate 2, Phase 2 projects from G2tWQ which NESO has identified it will issue a Gate 2 Offer to but has not yet done so)

The total in each technology will include the contribution to that technology from projects which co-locate with that technology with other technologies and will include both transmission and distribution connected projects.

For initial application of the OTCF, the total capacity will be compared to the prevailing long-term capacity target at the time, currently the 2035 permitted capacity in the CP30 Action Plan. A 50% tolerance on oversubscription will be applied before the OTCF takes effect. The OTCF will therefore take effect when the total operational and Gate 2 capacity exceeds the targeted capacity multiplied by 1.5. On initial application, the securities floor will be set at £10k/MW(Megawatt).

Once activated, the OTCF (and associated securities floor) will be re-evaluated ahead of each bi-annual securities statement. The total operational and Gate 2 capacity could fall in (a combination of) two ways:

- Projects leave the queue, reducing or removing the oversubscription
- The capacity target for that technology increases, for example if the Strategic Spatial Energy Plan (SSEP) increases the capacity target

Once activated, ahead of each subsequent bi-annual securities statement, NESO will evaluate the proportional change in oversubscription since the previous securities statement.

- If the sum of operational and Gate 2 capacity falls below an oversubscription of 25%, the OTCF will be disapplied for that technology
- If the oversubscription has reduced by more than 25% since the previous securities statement, the securities floor will not change

- If the oversubscription has reduced by less than 25% since the previous securities statement, or if the oversubscription has increased, the securities floor will increase by £5k/MW, up to a cap of £25k/MW

The OTCF would apply to projects of the relevant technology until energisation, including those which co-locate that technology with other technologies. As with the Project Commitment Fee introduced by CMP448, the OTCF will apply to Small, Medium and Large (as defined in the Grid Code) distribution connected generation who are themselves party to agreements under Connection and Use of System Code (CUSC) or are otherwise captured through the CUSC process which evaluates the impact of such connections on the National Electricity Transmission System (NETS) and the agreements with the Distribution Network Operators (DNOs).

Additional information on the proposal

The Proposal Form (**Annex 01**) includes a worked example and the Proposer's initial view on key design considerations. However, these have been largely superseded by worked examples (**Annex 04**) of the revised solution and consideration of design parameters by the Workgroup (pages 21 to 28).

Draft legal text

CMP448 introduced a Progression Commitment Fee (PCF) via small additions throughout Section 15 of CUSC referring to the PCF and a new sub-section defining the triggers for the PCF. This modification proposes a similar approach, with additions to Section 15 to add the OTCF to Cancellation Charges and securities, and a new sub-section defining the details of when the OTCF will be triggered and how it will be calculated.

What is the impact of this change?

The change will directly impact Developers of projects which receive and accept Gate 2 Offers and are a technology which is oversubscribed by 50% relative to the 2035 capacity target in the CP30 Action Plan. It would expose those Developers to higher Cancellation Charges and securities.

In the medium-term, it will positively impact all Developers and TOs, by removing projects of oversubscribed technologies from the queue and reducing the oversubscription. In turn, this will enable TOs to move faster and with greater certainty on network design and buildout, increasing the rate of progress on connections for all technologies.

Workgroup considerations

The Workgroup convened 04 times prior to this Workgroup Consultation (and are expected to meet a further four times after this consultation) to discuss the issue as identified by the Proposer within the scope of the defect, develop potential solutions, and evaluate the proposal in relation to the Applicable Code Objectives.

Workgroup Discussion ahead of the Workgroup Consultation

The Workgroup discussed the principles underpinning CMP470 alongside detailed considerations of solution design.

Principles of CMP470 Discussion

The Workgroup discussed:

- The battery oversupply situation
- The challenge of oversubscription
- Nuances of project viability
- Will the market resolve the issue itself in time for the CP30 Action Plan?
- Other options under consideration beyond the scope of CMP470
- Implications of DESNZ and Ofgem Open Letter

The battery oversupply situation

As reported in the NESO's Connections Reform, detailed Results Data publication in January 2026[6], there is a significant oversupply of batteries with Gate 2 status compared with the capacities set out in the UK Government's CP30 Action Plan[7]. This oversupply is at both a zonal (across all zones) and GB level by 2035 because those batteries met one or more of the protection clauses in the Connections Methodologies. The data shows the total capacity by zone, which is build, Phase 1 (2026-2030 connections) and Phase 2 (2031-2035 connections), the permitted capacity in CP30, and the oversubscription. The zones are as defined in the CP30 Action Plan.

According to NESO, at a GB level, 83.2 GW of batteries have received Gate 2 status. Adding operational battery capacity at the close of the G2tWQ evidence submission window brings the total capacity of batteries either built, operational or with Gate 2

[6] Connection Reform Detailed Results Data
[7] https://assets.publishing.service.gov.uk/media/67f3b417d3f1efd2ce2ab8a5/clean-power-2030-action-plan-connections-reform-annex-update.pdf

status to 90.6 GW. This is more than three times the capacity of 24–29 GW by 2035 set out in the UK Government's CP30 Action Plan.

The Connections Methodologies (which sit outside of the CUSC and are governed by NESO) set out that further batteries can meet the Gate 2 criteria under future application windows (CMP434), provided they meet the protection criteria. Given the significant oversupply of batteries compared with the GB permitted capacity, it is likely that only batteries that are 'ready' and that meet protection clauses 2b or 3a would meet the Gate 2 criteria in the next application window. Based on the outcomes of the G2tWQ process and the number and capacity of batteries that received a Gate 1 Offer but had submitted planning consent, NESO estimate that a further potential c.20.9 GW of batteries could meet protection clauses 2b or 3a in the next application window. If this were to occur, it would lead to an overall capacity (built and with Gate 2 status) of 111.5 GW (90.6GW batteries either built, operational or with Gate 2 status plus a further potential of 20.9 GW, making a total of 111.5GW) of batteries – assuming no attrition in Gate 2 batteries beforehand – which would be more than four times the capacity by 2035 set out in the UK Government's CP30 Action Plan.

The challenge of oversubscription

According to NESO in its Connections Reform Connections Methodologies Annual Consultation[8]:

"There are clear downsides to battery oversupply:

- cost to consumers – because network companies could design and build a network to accommodate battery connections that are not ultimately needed.
- delays to connection dates (for batteries and non-batteries) – because of reduced network delivery capacity and the need to design an efficient network across the full portfolio of customers (batteries require access to network infrastructure, for example substation bays or Grid Supply Points, that could otherwise be allocated to other technologies more closely aligned with the UK Government's CP30 Action Plan)."

[8] https://www.neso.energy/document/378746/download

During the initial Workgroup meeting, the Proposer outlined his concerns that oversubscription affecting a particular technology[9] can diminish the advantages offered by Connection Reform for other technologies (that are not oversubscribed). The Proposer explained how NESO currently lacks a mechanism to reduce the project queue from those receiving Gate 2 Offers to the number stated in the CP30 Action Plan, relying instead on long-term market attrition similar to the pre-TMO4+ approach. This lack of certainty means NESO and TOs do not know which projects will connect, leading to viable projects being delayed by less feasible projects. It was noted by TOs that in this situation TOs must design the network for all oversubscribed projects.

Where not all of those projects will go on to connect (due to market saturation and project delivery issues), that results in inefficient network designs and causes delays to the connection date of other projects that are behind the oversubscribed projects. The Ofgem representative stated that it will be important to ensure that non-viable projects leave the queue before the network companies have committed significant capital expenditure, both for their connection and for any wider network reinforcement, and in good time to allow their capacity to be reallocated at the next connections window.

Some Workgroup members asked whether TOs are genuinely designing for the full 90 GW of BESS projects, and a Workgroup member clarified that, following implementation of Connections Reform, TOs are bound to do so by their licence conditions .

A Workgroup member inquired whether the issue of oversubscription impacts large Demand projects. The Proposer clarified that delays and uncertainties affect all technologies seeking to connect, not just battery storage as legitimate projects are often slowed down by less viable ones already in the queue.

Workgroup members raised questions about Ofgem's stance and the potential for future updates to the MW capacity technology targets set out in the CP30 Action Plan, with the Proposer noting that any future strategic energy plan (such as the SSEP expected to be published in Autumn 2027) may increase technology targets but in their view any increase is unlikely to be up to the current queue size.

The Workgroup debated the fundamental problems of oversubscription, During the discussion, a Workgroup member raised the question of whether oversubscription is truly problematic, suggesting that some degree of oversubscription might be manageable and noting that 2035 is not a definitive deadline, i.e. new projects are likely to be needed post 2035. In response, the Proposer and several Workgroup members

[9] This primarily refers to (i) the electricity generation technology (or technologies) that the particular project has stated, in its application to NESO, will be connected at that location and includes, for example, solar, unabated gas, onshore wind, offshore wind, hydro, LDES and batteries or (ii) Demand.

explained that oversubscription results in extended connection lead times, creates uncertainty for TOs, and leads to inefficient investment in the network.

A Workgroup member noted that the current User Commitment Methodology requires each project to cover current TO expenditures plus the next 6 months forecast spend as a minimum (directly associated with that project's connection to their network), which ensures TOs are protected from financial losses if a project is terminated(see existing securities guidance published by NESO[10]). Connection Offers include a forecast of securities out to the connection date, which provides a signal to Developers. The Workgroup then examined whether this existing approach effectively manages the primary risks associated with oversubscription.

Some Workgroup members argued that only those projects directly responsible for incurring additional network costs should be required to pay these charges. However, others pointed out the complexities involved with strategic wider network investments, which may be undertaken based on an inflated connection queue and are not always fully secured by the project securities in place.

Workgroup Consultation question 6: Do you agree with the Workgroup's understanding of the issues which oversubscription creates?

Nuances of project viability

The Proposer engaged the Workgroup in a discussion regarding project viability and the assessment of both viable and non-viable project volumes. The Proposer explained that project viability is rarely a straightforward, binary assessment. While some projects may be unequivocally unfeasible, such as those with irresolvable site access issues, most require a more nuanced evaluation. Factors influencing project viability include practical considerations like ground conditions and cable routes, as well as economic aspects linked to those practicalities and prevailing market conditions, especially revenue projections when making final investment decisions for the project. Despite this complexity, projects that are not practically viable sometimes still reach the market labelled as *ready to build*. Identifying the volume of such projects in the Gate 2 Queue is challenging as Developers are unlikely to admit that their projects are unviable. However, respondents to this Workgroup consultation with acquisition experience might offer insights into how often and why they decline to bid on projects due to practical / viability concerns.

[10] https://www.neso.energy/document/188276/download.

Some Workgroup members supported this view, highlighting that viability is influenced by various practical and economic factors. Developers are unlikely to self-identify unviable projects, and one Workgroup member expressed that their experience revealed that many projects marketed as ready to build were actually not viable.

Some Workgroup members believed that unviable is an inappropriate and confusing term. A more appropriate term is that projects are uninvestable, i.e. the required money to resolve risks, or freeze risks is not worth the potential return to an investor and the risks are too great. Some risks can be discreet that require money to be invested into the project before it is clear a project is deliverable, e.g. submitting a planning application, or completing a topographical survey. Some risks are non-discreet and can change over time e.g. energy prices or capital costs. Typically, the majority of the capital invested in a project is committed at the Final Investment Decision (FID) and it is at this point most of the discreet risks have been mitigated and most of the non-discreet risks are frozen, e.g. sign a fixed price contract with a construction company or a 10-year tolling agreement with an optimiser. Therefore, using the definition provided by the Proposer, a project can only truly be considered viable when a FID is taken on the project. A project may choose to risk investing less significant sums of money into the project before FID because of the higher return they may get, even though they are unsure if the project is deliverable, because they are willing to invest money, the project can still be considered investable.

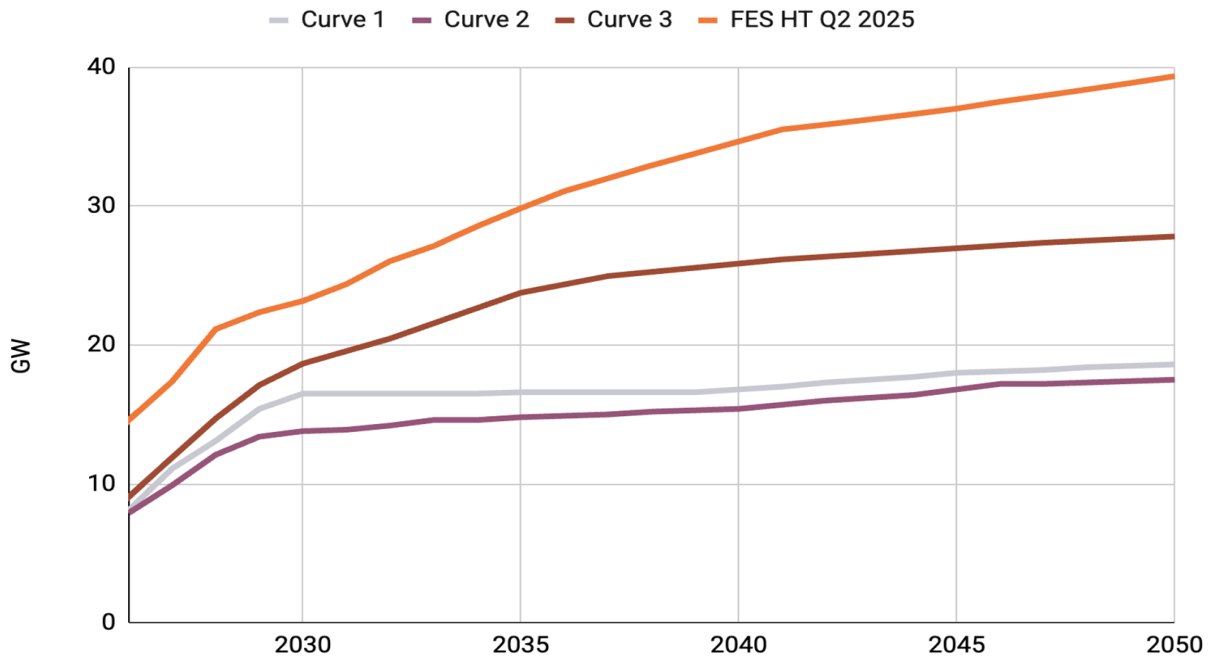
One member argued that whilst there may be some unviable projects towards the front of the queue, it is likely that most project owners believe their projects to be viable. This is likely due to Developers using a forecaster's reference-case revenue forecasts in their project's valuations when these forecasts will be assuming a BESS build-out in line with CP2030, despite their projects being towards the back of the queue. A revenue forecast based on a 30GW build-out is not valid for a project that is 60GW down the queue. It was suggested therefore that the majority of unviable projects are those beyond 30GW in the queue, where revenues in reality would be materially below those used to value these projects. And as such it was argued that the queue should be left to resolve the oversubscription naturally, rather than force viable projects near the front of the queue out by financial means. Once 30GW of BESS is built out, the forecast revenues will have fallen to a level where further build out becomes unviable.

Workgroup Consultation question 7: Do you have evidence which may support the Workgroup in understanding what proportion of projects in the Gate 2 queue are unviable?

According to the Proposer, even if the circa 83GW of BESS have received protected status from NESO, they are all technically feasible, it is only 15-30GW by 2035 of these

projects that are likely to be economically viable according to market models[11] focused on long-term optimisation.

The chart below shows projections of BESS capacity from three, reputable market modellers (Afry, Aurora and Baringa) whose forecasts have been used to support project financing decisions. BESS capacity from NESO's Future Energy[12] Scenarios Holistic Transition pathway is also shown for reference.



This means, according to the Proposer, that 55-70GW of these projects, despite being practically possible, are unlikely to be financially sustainable. Additionally, some projects that initially appear attractive may ultimately prove unviable due to market oversubscription.

One member discussed how the proposal may push out viable projects now that could resolve things like access / cable route (dependent on third parties and other Developers) but can't afford the security before such matters are resolved. This is then replaced over time with Gate 1 projects, that get Gate 2 offer in future windows, but still face the same issues. However the future Gate 2 projects may not be required to place an OTCF security as the technology is no longer oversubscribed, as protections have

[11] Which the Proposer has seen / commissioned. It was noted that there are a number of commercial providers of such models (the composition of which are generally proprietary and thus cannot be widely shared).

[12] https://www.neso.energy/publications/future-energy-scenarios-fes

driven oversubscription and these won't be applied in future. The Workgroup discussed that this would only arise if the proposal leads to an overcorrection. The Proposer noted that the solution should be carefully designed to reduce risk of moving from over to undersubscription.

Several members highlighted the importance of proportionality in the solution, suggesting that only projects which directly create additional costs, such as those requiring network redesign, should be responsible for those expenses, similar to the existing User Commitments Methodology, rather than applying these costs to all projects in the connection queue. The Workgroup also debated whether the OTCF should serve as a minimum threshold or an upper limit, and discussed ways to ensure that projects already facing substantial expenses to remain viable are not unfairly penalised.

Workgroup Consultation question 8: Do you have any comments on the Workgroups understanding of technical and economic viability of projects?

Will the market resolve the issue itself in time for the CP30 Action Plan?

Given this material oversupply compared with the size of the likely battery services market in GB, there may be significant levels of natural attrition in batteries. This could take the form of Developers not signing their Gate 2 Offers under G2tWQ, self-terminating their Gate 2 Connection Agreements, or not applying for protections under the next application window. However, it is the view of NESO, the Proposer of CMP470 and some Workgroup members that this natural attrition could take several years, if not longer, to have a material impact on battery volumes, which could exacerbate or extend the risks referred to above. NESO, (separately to CMP470) is therefore discussing with the UK Government and Ofgem whether any further action should be taken to mitigate battery oversupply.

Workgroup members discussed whether market forces alone could resolve the current connection queue oversubscription with BESS, noting that most attrition happens early on. Concerns were raised about financial commitments for projects with later connection dates, with suggestions for more gradual approaches.

Some members argued that the proposal might disadvantage less advanced projects and smaller Developers, raising anticompetitive concerns. The Workgroup debated whether additional fees or securities would solve the issue or merely redistribute costs, emphasising the need for fair and alternative solutions. Furthermore, some members argued that the high levels of the OTCF would result in smaller Developers or Developers with smaller balance sheets being forced to sell economically viable projects, which

would subsequently be purchased by larger Developers. This, in the view of some members, would be highly anti-competitive, and fail to reduce the level of oversubscription.

Several Workgroup members noted that if insufficiently-capitalised Developers were unable to sell before the OTCF was implemented, they would be forced to terminate economically viable projects. Commercial transactions should take 3-6 months but can take longer to be completed and this further adds to the concerns of CMP470 being anticompetitive.

The Proposer acknowledged that the market would likely resolve oversubscription over time, with:

- Unviable projects either not being bought by Developer/owner/operators to construct, or they would not reach a Final Investment Decision
- Projects late in the queue being unable to make a FID because earlier projects drive reductions in revenue projections

But the Proposer also noted that is likely a slow process taking multiple years. The OTCF is intended to accelerate that process, quickly facilitating certainty for the TOs and projects on which subset of battery projects will proceed.

Other options under consideration beyond the scope of CMP470

In its Connections Reform Connections Methodologies Annual Consultation, NESO has identified that:

"Taking further action to mitigate battery oversupply also carries risks:

- cost risk to affected battery Developers
- risk of 'overcorrection' (that is too large or insufficiently targeted an impact)
- loss of investor confidence due to further, potentially unexpected, policy changes"

Accordingly, NESO considers that "any action would therefore need to be carefully considered and calibrated".

One option identified by NESO in that consultation is "to introduce additional financial incentives for batteries – for example an additional financial security to be paid by batteries with Gate 2 agreements that are above the permitted capacities, which would be recovered when the battery connects. This could be calibrated so that, for example, it only applied to batteries more than [10%] above the permitted capacity, to mitigate the risk of causing undersupply or delays to nearer-term battery connections."

Separate to CMP470, an action that could be taken (by NESO) would be to disapply protection clause 3a (and, for completeness, protection clause 3b) for batteries so that only 'ready' batteries that meet protection clause 2b could meet the Gate 2 criteria in the next application window. This would ensure that batteries that had secured a CfD, Capacity Market contract, Ofgem cap and floor (for long Duration Electricity Storage - LDES), or a NESO 'Network Services' contract – and could therefore be considered genuinely needed - would be able to receive a Gate 2 Offer in the next application window but no others. It would not have any effect on batteries that secured a Gate 2 agreement through the G2tWQ process. However, it would prevent additional batteries from receiving a Gate 2 Offer in the next application window, thereby avoiding further material oversupply.

A Workgroup member highlighted that actions taken by NESO via changing the NESO connection methodologies could materially impact the perceived defect, but it is currently unknown which, if any, of these actions would be taken forward. The Workgroup will endeavour to consider the implications of other actions taken forward by NESO on the issue of oversubscription if more is known within the timeframe of this modification.

DESNZ and Ofgem have requested TOs to expand the use of bay-sharing as a potential tool to mitigate the impact of oversubscription. Bay sharing can avoid the need to extend existing substations or build new substations and therefore should accelerate the connection of battery projects and other technologies as less infrastructure is required to be built.

Implications of DESNZ and Ofgem Open Letter

DESNZ and Ofgem published an open letter[13] on Connections Reform delivery on 16 April 2026. The Workgroup discussed it that day, highlighting the following key extracts for consideration.

"It will be important to ensure that non-viable projects leave the queue before the network companies have committed significant capital expenditure, both for their connection and for any wider network reinforcement, and in good time to allow their capacity to be reallocated at the next connections window. The later non-viable projects leave the queue, the greater the risk of driving unnecessary network redesign, risking knock-on impacts for other projects, and increasing costs for bill-payers. We

[13] Open letter from DESNZ and Ofgem on Connections Reform delivery - GOV.UK

therefore encourage project Developers to review the viability of their project's business case and to respond to their offer accordingly in a timely fashion."...[AND] "We note that NESO's annual consultation on its connections methodologies sets out the possibility for the disapplication of protections under clauses 3a and 3b, such that only battery projects that have secured a revenue support scheme would be eligible in the next window. This would address further oversupply in future windows, as it is expected that an additional 8 to 20 GW of battery projects currently in Gate 1 could qualify for a Gate 2 offer."

The Chair led the Workgroup in reviewing and discussing the open letter from DESNZ and Ofgem about Connections Reform. They focused on how the letter impacts the CMP470 solution; i.e. the OTCF.

Several Workgroup members discussed the meaning of a 'pragmatic approach', as outlined by DESNZ and Ofgem (*"Once offers are issued, we expect network companies to take a pragmatic approach to network build in delivering connections, reflecting the current surplus and likely attrition, and to assess funding commitments accordingly"*), debating whether TOs should construct network infrastructure based on the current queue of projects (i.e. ~90GW in the case of BESS) or follow a broader strategic plan (i.e. the ~30GW in the CP30 Action Plan). Following the open letter, a TO representative advised the Workgroup (at its next meeting) that the term 'pragmatic approach' is unhelpful as TOs are obliged to construct network infrastructure based on the current queue; in other words, to plan / build for the ~90GW (rather than the ~30GW).

Workgroup members emphasised that TOs are adhering to the current queue-based approach. This clarity is necessary to prevent misunderstandings related to the term "pragmatic approach" and to ensure that stakeholders are fully aware of the regulatory context. Additionally, one Workgroup member confirmed that although TOs perform risk assessments and strive for efficiency, their actions are ultimately governed by license requirements. Any pragmatic decisions, such as those regarding equipment ordering, must not override these regulatory obligations.

The DESNZ representative clarified that TOs are expected to strike a balance between their license obligations and maintaining operational flexibility and noted that DESNZ is actively monitoring the effects of these practices.

Several Workgroup members highlighted the need to clearly determine when TOs commit to major capital expenditures. Since the purpose of the OTCF is to ensure that non-viable projects exit the connection queue before significant investments are made (by the TOs), the Workgroup agreed that obtaining more detailed information from TOs regarding the timing of these expenditures is essential.

The open letter's focus on timely project attrition and strategic network planning guided the Workgroup's discussion about the urgency and design of the OTCF. Members considered bold measures, such as a 'shock and awe' approach (which might, hypothetically, involve applying the full £25k/MW immediately if an oversubscription of 50% or greater occurs), while also stressing the importance of avoiding unnecessary network redesign work being undertaken by the TOs (which, in the case of BESS, was likely to occur if they were designing for the ~90GW rather than the ~30GW).

Important note regarding key recent publications prior to consultation

Members acknowledged recent policy developments, such as the Ofgem blog and DESNZ pricing work on the day of the last meeting prior to this Consultation.

DESNZ issued its 80 page 'Reformed National Pricing Plan' document (Reformed National Pricing (RNP): delivery plan - GOV.UK) and Ofgem issued a blog (Strategic energy planning and Connections Reform in 2026: putting plans into action | Ofgem).

For the avoidance of doubt, the Workgroup has not had time to conduct an assessment (prior to the issuing of this consultation) or consider what, if any, effect that these may have in the context of CMP470.

Proposers Updated Solution

The initial proposal was formally presented to the members of the Workgroup during the first Workgroup meeting on 10 April 2026, as detailed on pages 8 to 10. Subsequent to comprehensive discussions within the Workgroup, the Proposer undertook a thorough review and refinement of their Original solution, resulting in the updated version outlined below across nine key parameters:

Parameter 1 – Activation and deactivation thresholds

Ahead of each bi-annual securities statement, NESO will compare the total capacity of each technology with the prevailing long-term capacity target at the time to calculate a percentage oversubscription. The total capacity would be based on the sum of operational assets, signed Gate 2 Connection Agreements for transmission connected projects, and signed Gate 2 Connection Offers for distribution connected projects.

The OTCF will be activated for a given technology if oversubscription exceeds 50%, i.e. the total capacity exceeds the target multiplied by 1.5. This is intended to avoid an over-correction whereby the OTCF drives an oversubscription to an undersubscription. This

threshold also means that the Proposer expects the OTCF will only apply to BESS in the short and medium term.

Once activated, the OTCF would remain active until, ahead of a future biannual securities statement, oversubscription falls below 25%, i.e. the total capacity is less than the target multiplied by 1.25. This introduces a deadband, intended to avoid introducing a situation where the OTCF switches on and off repeatedly in quick succession driven by minor changes in capacity and/or the capacity target.

Note that both the total capacity and target could change over time – the capacity through additions and attrition in the Gate 2 queue, and the target through, for example, implementation of the Strategic Spatial Energy Plan (SSEP).

The above is as presented in the proposal form, save that the evaluation of total capacity is now based on signed offers only, not those which have been issued but not yet signed.

In addition, the Proposer has decided to introduce a minimum capacity target below which the OTCF would not be applied, set at 5GW. This is intended as a safeguard to avoid the OTCF being unintentionally applied to a nascent, rapidly growing technology with a small (<5GW) target.

In summary, the OTCF would be:

- Activated at 50% oversubscription, provided the target capacity exceeds 5GW
- Deactivated at 25% oversubscription

Parameter 2 – National or regional application

For some technologies, the CP30 Action Plan includes both national and regional targets. The Proposer considered whether the oversubscription should be calculated on a national or regional basis, and concluded that national is appropriate because:

- Protections for projects with planning consent (with application submitted prior to 20 December 2024) apply even if the project exceeds national targets, regardless of regional targets
- Regional targets and project pipelines are relatively small – as low as 100MW for BESS in some regions. Hence there is potential for significant instability in zonal oversubscription, with a small number of projects driving movements between significant oversubscription and undersubscription. This would risk a volatile OTCF which would be unhelpful

This is as presented in the proposal form (**Annex 01**).

Parameter 3 – Timing of application to projects

The OTCF applies to all projects of the relevant technology with a Gate 2 Offer up until energisation. For projects receiving Gate 2 Offers in the ongoing Gate 2 to the Whole Queue (G2tWQ), the timing of application will depend on implementation timing (see implementation approach), assumed to be October 2027 for the examples below:

- For G2tWQ offers – the OTCF would apply from implementation likely in October 2027, a minimum of five months after the last Gate 2 Offer falls due for signature based on the current timeline from NESO which sees the last Gate 2 Offers issued:
    - to Transmission connected projects in January 2027, due for signature in April 2027
    - to Distribution connected projects in March 2027, also due for signature in April 2027
- For Offers from the first Gated Application Window, assumed to take place in Q3 2026 – the OTCF would apply from implementation, likely in October 2027, likely also five months after Gate 2 Offers fall due for signature (assuming offers issued in late Q4 2026/early Q1 2027 and due for signature in late Q1/early Q2 2027
- For new Gate 2 Offers thereafter, the OTCF would apply from acceptance of offer at the prevailing rate

The OTCF will apply up to energisation.

This is as presented in the Proposal, albeit with later implementation (see implementation approach).

Parameter 4 – Application Method

The level of the OTCF will be calculated on a project-specific basis and will fluctuate over time in each biannual Cancellation Charge statement. It will be set at a level which ensures that the total security to be placed for each project of the relevant technology type is not less than a defined securities floor. For projects with securities already exceeding the floor, the OTCF will not apply. For those with securities below the floor, the OTCF will act as a "top-up" to the Cancellation Charge, calculated to set the total security required to be equal to the floor.

This is as presented in the Proposal form (**Annex 01**).

Parameter 5 - Level of the securities floor

On initial activation, the securities floor will be set at £3k/MW.

Once activated, the OTCF (and associated securities floor) will be re-evaluated ahead of each bi-annual securities statement. NESO will evaluate the proportional change in oversubscription since the previous securities statement:

- If the sum of operational and Gate 2 capacity falls below an oversubscription of 25%, the OTCF will be disapplied for that technology (as per parameter 1)
- If the oversubscription has reduced by more than 25% since the previous securities statement, the securities floor will not change
- If the oversubscription has reduced by less than 25% since the previous securities statement, or if the oversubscription has increased, the securities floor will increase, initially from £3k/MW to £5k/MW and thereafter by £5k/MW up to a cap of £25k/MW

The Original proposal form started from £10k/MW; the Proposer has decided to introduce two additional lower increments at £3k/MW and £5k/MW following feedback from the Workgroup on the levels proposed.

Parameter 6 - Application to co-located projects

The OTCF will apply to all projects which include the oversubscribed technology, including those which co-locate the oversubscribed technology with another technology which is not oversubscribed, unless:

- The oversubscribed technology is due to connect after the other technology
- The addition of the oversubscribed technology has minimal network impact, identified by no additional attributable works or connection costs

The exemption for some co-located projects is an addition to the solution presented in the Proposal form following Workgroup feedback.

Parameter 7 – Interaction with the PCF

CMP448 intorduced a Project Commitment Fee (PCF). The OTCF will apply in addition to the existing PCF, with the securities floor calculated based on baseline securities including the PCF, i.e.:

OTCF = MAX (Securities Floor – Project-specific securities – PCF, 0)

In reality, the PCF and OTCF are very unlikely to ever apply to the same project. The PCF, if triggered in future, will apply to projects prior to submitting planning and is not applicable post submitting a planning application. Oversubscription is driven by protections, typically requiring planning consent. Projects to which the OCTF will apply will likely already have planning consent, so effectively be exempt from the PCF.

This is as presented in the proposal form with additional clarity added on the interaction of the PCF with a securities floor.

Parameter 8 – Treatment of OTCF collections

If a Cancellation Charge including an OTCF is levied (i.e. a project exits the queue), the OTCF would be returned to customers through TNUoS. This is aligned with the approach taken to the PCF.

The OTCF would only be treated (by NESO) as revenue if a Cancellation Charge is paid. This is in line with other securities which are not treated as revenue by NESO when placed.

On termination, the project pays its Cancellation Charge (including OTCF) to NESO. The difference between the Cancellation Charge and amount distributed to the TOs would be passed through to consumers via TNUoS. All else equal, a project with an OTCF liability cancelling will result in a small reduction in the TNUoS Demand residual.

This parameter was not covered in the Original proposal form and has been added following Workgroup discussion.

Parameter 9 – Option for NESO to apply the OTCF or not (with Ofgem overrule)

The mechanism by which the PCF comes into force is:

- NESO analyses whether the "trigger metric" on queue health has been met
- If the trigger metric is met, NESO has the option to introduce the PCF, will make a decision either way, and inform Ofgem
- Ofgem can overturn NESO's decision either way

The Proposer has decided to include a similar mechanism within the solution, allowing for NESO discretion (and Ofgem oversight) on whether the OTCF is implemented when the activation threshold is met on a technology-specific basis. This is intended as a safeguard for an unforeseen future circumstance in which oversubscription arises for a given technology and the OTCF is not deemed an appropriate measure.

This parameter was not covered in the Original proposal form and has been added following Workgroup discussion.

Implemenation approach

Following Workgroup discussion, the Proposer recommend implementation from the first biannual securities statement after both:

- The final offers from G2tWQ have either been signed or the acceptance period has ended

- The final offers from the first Gated Application Window have either been signed or the acceptance period has ended

The Proposer had initially recommended implementation in the January 2027 securities statements. The Workgroup discussed how that would operate in practice, and noted that it would require NESO to make an assumption on the proportion of Gate 2 Offers which it had issued but which were not yet due for signature would be signed. NESO would likely assume all signed, which may overstate oversubscription and so lead to the OTCF being implemented innappropriately. Waiting for the final position after both G2tWQ and the first Gated Application Window will mean that the vast majority of BESS Gate 2 Offers will have been signed or lapsed (with the exception of a small volume of Clause 3a projects which have not yet reached consent by the first Gated Application Window) so the activation threshold for the OTCF will be based on a largely complete and accurate dataset.

The final Transmission offers from G2tWQ are expected to be issued in January 2027, and the final Distribution offers in March 2027[14], both of which will fall due for signature in April 2027. The next Gated Application Window is expected to take place in Q3 2026. The Proposer notes that with a standard three month offer period and three month acceptance period those offers would be issued in late Q4 2026 or early Q1 2027, and fall due for signature in late Q1 or early Q2 2027.

If these timelines are adhered to, implementation would be in the July 2027 securities statement ahead of securities to be placed in September 2027 for the October 2027 to March 2028 securities period.

The Proposer continues to recommend an Ofgem decision by 1 August 2026. This is because Gate 2, Phase 1 offers are expected to be issued from mid-May 2026 so will fall due for signature in mid-August 2026. Whether or not an OTCF may be applied (i.e. whether or not CMP470 is approved) should factor into project decision making when signing a Gate 2 Offer, hence a decision needed before those offers fall due for signature.

[14] https://www.neso.energy/industry-information/connections-reform/connections-reform-timeline

Solution summary

Parameter	Summary
1 – Activation and deactivation thresholds	• Activated at 50% oversubscription and national capacity target >5GW • Deactivated at 25% oversubscription
2 – National or regional application	National
3 – Timing of application to projects	Start: • For G2tWQ and first Gated Application Window offers - from implementation • For new Gate 2 Offers thereafter, from acceptance of offer End: energisation.
4 – Application Method	Floor to securities on all projects in an oversubscribed technology
5 - Level of the securities floor	£3k/MW initially, increasing if oversubscription falls by less than 25%, to £5k/MW initially and then in £5k/MW increments up to a cap of £25k/MW
6 - Application to co-located projects	Applies to projects which include the oversubscribed technology based on the lower of TEC and installed capacity of the oversubscribed technology except where • The oversubscribed technology is due to connect after the other technology • The addition of the oversubscribed technology has no Attributable Works or connection costs
7 – Interaction with the PCF	Applies on top of PCF but as floor to total securities (including PCF), so if securities with PCF are already above floor, OTCF has no impact
8 – Treatment of OTCF where the customer does not energise	Returned to consumers via TNUoS
9 – Option for NESO to apply the OTCF or not	Yes, with Ofgem option to overrule
Implementation approach	Implemented in first biannual securities statement after both: • All offers from G2tWQ have either been signed or lapsed

	• All offers from the first Gated Application Window have either been signed or lapsed

Worked examples can be found in **Annex 04**, illustrating:

- How the OTCF and securities floor may change over time under illustrative scenarios for the change in BESS oversubscription
- The OTCF and securities floor applied to an illustrative project using an illustrative profile for the securities floor
- The worst-case application of the OTCF under both the Original and proposed alternatives (discussed further below)

Workgroup discussion on the updated solution

Workgroup members debated whether the OTCF should apply to all ~90GW of projects or only those outside the cap[15], with one Workgroup member suggesting regional or queue-based application, and others arguing for a broad application due to queue prioritisation issues.

Several participants raised concerns that the OTCF could disproportionately affect smaller Developers and lead to market consolidation, potentially favoring those project Developers with larger balance sheets (that could, it was argued, afford the £/MW thesholds being suggested for the OTCF).

Clarification of Acceptance Fees and Securities Process

The Workgroup examined several key topics, including the current status of acceptance fees for Gate 2 Offers, the procedures for collecting and returning OTCF securities, and the impact these processes have on both Distribution Network Operators (DNOs) and project Developers. It was clarified that acceptance fees are not presently applicable to Gate 2 Offers and will only be required for (future) CMP434 applications. Payment terms may vary between DNOs, with additional guidance to be offered as necessary.

The Workgroup discussed that the OTCF is taken as a security at the outset and is held until project energisation, with additional amounts collected if the fee increases. If oversubscription decreases and the OTCF is deactivated, the security is returned to the relevant project(s)[16]. Concerns were raised about the credit risk to DNOs and the method

[15] In simple, illustrative, terms would it apply to the ~60GW oversubscribed BESS projects (of the ~90GW total, including the ~30GW needed, according to the CP30 Action Plan).
[16] That provided the OTCF security in the first place.

for managing and returning these OTCF securities, specifically querying whether these securities funds would be held by the respective DNO or NESO. The Proposer indicated that, subject to further input and discussion, the process would likely follow established securities arrangements.

Clarification on Queue Exit and Re-Entry Process

Workgroup members asked for confirmation that when a project terminates a Gate 2 Offer, it is removed from the connection queue and does not return to Gate 1. A NESO representative clarified that if a Gate 2 Offer is signed and subsequently terminated, the project is removed from the queue and does not revert to a Gate 1 status. However, if the Gate 2 offer is not signed, the project has the option to return to Gate 1.

One member expressed concern that Introducing additional securities, such as the OTCF, while retaining extended protections for an oversubscribed BESS queue is inconsistent. Removal of 3a/3b protection status[17] should precede any further security requirements. This was not part of this CMP470 modification, but (in the view of the Workgroup member) without this sorting out the issues from Connection Reform won't be addressed. The Proposer disagreed with this view, noting that the rationale for introducing 3a protections was set out when those protections were introduced (namely that they are needed to avoid undue discrimination between projects in regions and/or sizes with slower consenting processes) and still stand.

Parameters Discussion

Parameter 1 – Activation and deactivation thresholds

Workgroup Consultation question 9: Do you agree with the proposed activation threshold of 50% oversubscription and deactivation threshold of 25% oversubscription?

Parameter 2 – National or regional application

Several Workgroup members observed that implementing a nationwide OTCF might discourage project development in regions with lower levels of oversubscription of the technology. This could result in regional areas experiencing an under-supply of network capacity. To address these concerns, the Workgroup reviewed the CP30 Action Plan's zonal targets and considered whether applying the OTCF on a regional basis could better support balanced network development across different regions in GB (than the national application of the OTCF).

[17] Which, it was noted, could only be done by NESO, rather than, for example, via a CUSC Modification.

Several members of the Workgroup discussed whether the OTCF should be implemented on a national or regional[18] basis. They pointed out that certain regions experience much less oversubscription of BESS projects and could face shortages if a nationally applied OTCF discourages BESS project development in those regions. The Workgroup carefully considered the benefits and challenges of applying the OTCF regionally, weighing the potential impacts on supply and fairness.

Workgroup Consultation question 10: Do you think the OTCF should apply based on national or regional oversubscription?

Parameter 3 – Timing

Workgroup members suggested implementing distinct OTCF structures or timelines for projects based on their duration, differentiating between near-term and long-term initiatives. Some Workgroup members also suggested dissapplying the OTCF at queue management milestone 7 (project commitment) or milestone 8 (construction start). The Proposer did not include this within their Original solution. For example, starting construction could involve early groundworks on site, and precede major contracts being signed.

One member discussed that it is the projects that are in front of the queue that hold up the queue rather than the projects at the end of the queue. Applying financial security to all projects of an oversubscribed technology, for which the OTCF has been activated, irrespective of the connection dates may have the unintended consequence of projects that are at the end of the queue dropping out as they cannot afford the security for several years even if the projects are viable.

Workgroup Consultation question 11: Do you agree with the proposed timing of the OTCF from implementation or Gate 2 contract signature (whichever is sooner) up to energisation?

Parameter 4 – Application Method

The Proposer explained that the Oversubscribed Technologies Commitment Fee (OTCF) is designed as a financial commitment mechanism to prompt the removal of unviable projects from the oversubscribed BESS queue, thereby reducing the likelihood of unnecessary stranded network investments. The discussion focused on refining the application method of the OTCF, specifically considering whether it should remain a

[18] Currently based on those regions used in the CP30 Action Plan which may, in the future, be different to those used in the SSEP.

uniform, stepped £/MW structure or be capped at the maximum securities level for each project, reflecting the peak securities just before energisation.

Workgroup Consultation question 12: Do you agree with the proposal to apply the OTCF as a securities floor?

Parameter 5 - Level of the securities floor

Several members raised concerns that the proposed maximum fee of £25,000 per MW is excessively high. They pointed out that such a fee could place an undue burden on smaller Developers or projects with extended timelines, potentially making them unviable. To address these issues, they recommended setting a lower fee cap or adopting a more gradual ramp-up in the proposed fee levels. Additionally, they emphasized that increasing fees for reasons beyond a Developer's control may be unfair.

One Workgroup member noted that applying the OTCF on a per-MW basis disproportionately impacts larger (in MW terms) projects, despite queue constraints being driven primarily by physical limitations (e.g. bays and substation space) rather than project (MW) size or related to issue/cost risk of access or cable route. The member suggested that applying the cap at an individual project level for the bay, not the overall MW is a more reasonable approach. The member described how a lower £/MW number would be enough for projects to withdraw, and proposed this be based on a cap of £5m to the OTCF regardless of (MW) size of each project or if the £/MW number is reduced, such that it does a similar thing.

The Proposer discussed an approach for linking the Oversubscribed Technologies Commitment Fee (OTCF) to each project's maximum securities exposure. Under this proposal, all projects would initially face OTCF increments, but further increases would be capped at a project's own peak securities level rather than a universal ceiling. This would mean that projects with lower securities would reach their cap sooner, while those with higher securities would continue to incur higher fees until their maximum exposure was met.

This method aims to differentiate between projects based on their network impact and to avoid unfairly penalising projects with lower network costs, thereby making the fee structure more equitable and reflective of individual project risks. One Workgroup member noted that lower network costs and securities can be a competitive advantage for a battery project, and so introducing a floor without a cap linked to a projects existing securities may risk undermining competition in the market.

The Proposer emphasised that a securities-linked cap cannot be confirmed without additional data from NESO, specifically regarding the distribution of securities among Gate 2 BESS projects and the range and timing of maximum securities exposures. Consequently, it was suggested that this approach should be highlighted in the Workgroup consultation as an option under consideration but not yet presented as a finalised solution.

Workgroup Consultation question 13: Do you agree with the level of the OTCF, including minimum and maximum levels if changing over time?

Parameter 6 - Application to co- located projects

Workgroup members asked about how the OTCF would apply to co-located projects. The Proposer explained that the fee is only charged on the oversubscribed technology and clarified that lithium-ion batteries are not considered in the LDES definition so would therefore fall within the BESS definition (and, if applicable, the OTCF).

A Workgroup member emphasized the importance of ensuring that co-located projects, which have minimal impact on the network, are not subject to disproportionate penalties. This approach aims to promote fairness and recognise the varying levels of network impact among different types of projects.

The Proposer updated the Workgroup on considerations for co-located projects, especially in scenarios where batteries are installed alongside other generation technologies. The suggested approach is that batteries could be exempt from the OTCF if their energisation date occurs after another co-located technology and if they do not trigger any additional attributable network works. However, the discussion revealed practical difficulties, such as missing energisation dates for Gate 2 and increased administrative complexity for Distribution Network Operators (DNOs) and NESO.

It was agreed that this exemption should be addressed at the principle level only in the consultation, with the understanding that detailed implementation would require further collaboration with NESO and DNOs.

Workgroup Consultation question 14: Do you agree that the OTCF should be applied to projects which co-locate an oversubscribed technology with another technology?

Parameter 7 – Interaction with the PCF

Workgroup Consultation question 15: Do you agree that the OTCF should apply as well as the PCF?

Parameter 8 – Treatment of OTCF securities funds colllected

Workgroup Consultation question 16: Do you agree that any OTCF funds relating to a customer which does not go on to energise should be returned to consumers via TNUoS?

Parameter 9 – Option for NESO to implement or not (with Ofgem overrule)

Workgroup Consultation question 17: Do you agree that NESO should have the option not to implement the OTCF if the activation threshold is breached?

Implementation approach

Workgroup members engaged in a detailed discussion about the most effective timing for OTCF activation, taking into account factors such as the NESO's published Gate 2 Offer timetable, the 90 day acceptance period for Transmission offers[19], natural market attrition, and synchronisation with the biannual securities statements. The Proposer provided clarification on the proposed timeline and emphasised that, at this stage in the process, their Original proposal remains open to feedback and further input.

Several Workgroup members emphasised the importance of providing a clear matrix to illustrate how the OTCF interacts with current commitment fees and securities. The Proposer assured the Workgroup that the proposal is consistent with established securities standards and noted that there may be additional administrative steps required. Worked examples have been provided in the Proposal (**Annex 01**).

One member felt that the proposed implementation would be premature ahead of Gate 2 contract completion by projects. They noted that the proposed OTCF timeline overlaps with the planned publication of the SSEP (Autumn 2027) and would not materially influence NESO or TO/DNO planning before late 2027. Given this, the member noted that deferral (of the OTCF application) until after the SSEP was publsihed, together with anticipated changes from the NESO's 2026 annual Connection Reform methodology consultation, is expected to provide clearer insight into strategically aligned projects and may further reshape the connection queue.

The Proposer agreed that the OTCF should only be implemented after most Gate 2 Offers have been signed or lapsed, and so updated their solution to be implemented once all Gate 2 Offers from G2tWQ and the first Gated Application Window have either been signed or have expired. This would likely set the practical application timeline, for CMP470, to begin with the July 2027 security statement for October 2027 securities.

[19] The time period that each project, which receives a Gate 2 offer, has to accept and sign that offer.

Alternative Options Discussion

In the initial meeting, Workgroup members proposed various alternatives, such as time-limited fees, lower initial amounts, refundable securities, and lagged implementation based on connection dates or market milestones. The use of a parameter matrix to facilitate comparison of alternatives was encouraged by some of the Workgroup Members.

One Workgroup member presented four possible alternative options to the Workgroup.

Option 1: "Capacity Haircut" - Upon issuance of Gate 2 Connection Offers, NESO could apply a standardised derating to contracted capacity, whereby all projects within an oversubscribed technology category (e.g. BESS) are issued connection rights equivalent to 90% of their requested import and export capacity.

Option 2: "Gate 2 Modapp Amnesty" - To encourage voluntary rationalisation of the BESS queue, rather than a passive "wait-and-see" approach, we would propose the introduction of a one-off flexibility window. This would allow Developers to submit a Modification Application (ModApp) to vary their existing Gate 2 connection offer into an alternative configuration—such as converting a BESS project into a generation- or Demand-led scheme—without forfeiting their established position in the queue.

Option 3: "Capacity-for-Acceleration Mechanism" - Most participants in the connections queue manage multiple projects, often overseeing portfolios across several sites rather than single assets. Developers tend to evaluate these portfolios collectively, focusing on overall business growth and identifying where the main value lies. We propose the introduction of a new mechanism whereby Developers could voluntarily "surrender" selected projects in their portfolio in exchange for accelerated and preferential connection dates for their remaining assets.

Option 4: "CP2030 Duty" - The current proposal would effectively impose additional upfront costs on Developers with longer-dated portfolios, prior to the realisation of any operational revenues from their investments. In contrast, we would suggest an alternative approach through the introduction of a "CP2030 Duty", which would reframe this dynamic into a post-connection contribution. This would be applied as an annual, fixed £/MW charge on operational projects falling within the 29GW technology allocation target. This mechanism would operate as a contribution reflecting the system costs associated with accommodating significant volumes of generation within constrained network capacity, while also providing a dedicated funding stream for ongoing queue and system management.

Another Workgroup member suggested a one-time payment of £1,500 per MW, due 18 months after a project's Gate 2 offer acceptance and refundable upon project energisation. This approach aims to support market attrition and enable a more informed evaluation of project needs before requiring financial commitments.

The Workgroup examined whether the proposed options could be managed within the CUSC framework or if modifications to the NESO's Connection Methodologies would be necessary or whether they would be a viable alternative request. They also highlighted the importance of receiving NESO guidance to clarify governance and ensure effective implementation.

Workgroup members reviewed the alternative options, highlighting the challenges and risks involved. They emphasised the need for innovative solutions and noted that formal evaluation using comparison tables (showing each alternative option against the Original, in terms of the various design parameter as demonstrated in **Annex 07**) to assess each option if brought forward as a formal alternative request.

Alternative Requests

Two Alternative Requests were submitted by Workgroup members prior to the consultation (**Annex 04**). During Workgroup meeting 4, the Workgroup discussed these Requests. Both Alternative Request Proposers agreed that an Alternative vote would not take place before the consultation.

Workgroup Alternative Request 1 – Alternative Implementation Date (Annex 05)
Overview: This alternative proposal is for the implementation date to be delayed from the current proposed date to March 2028.

This alternative relates to the 'timing' design parameter and proposes to delay the start date (the point at which the fee becomes payable) in the following manner:

- For Gate 2 to Whole Queue (G2tWQ) offers: Delay to March 2028, 1 year from final issuing of Gate 2 Offers.
- For New Gate 2 Offers thereafter: Delay to 1 year from acceptance of Gate 2 offer. Implementation date: 6-month delay to the current proposed timing (this current date being October 2027).

Workgroup discussion: Root Power proposed an alternative approach suggesting the deferral of OTCF implementation, with the rationale being to allow for natural queue attrition following Gate 2 Offers, enable flexible connection assessments to occur after Gate 2, and account for limited near-term network investment in long-dated BESS projects.

Workgroup Consultation question 18: Do you agree with the proposed Alternative Request 1 solution?

Workgroup Alternative Request 2 – Alternative Fixed One-Off Security (Annex 06)
Overview: Proposes a fixed £1.5k/MW OTCF fee payable 9 months from date of acceptance of the Gate 2 Offer as a one-off payment and fully refundable on energisation.

This alternative request seeks to establish a fair and proportionate balance of risk, whilst seeking to reduce the queue and also to simplify a process which is becoming overly complex and overly regulated.
The proposal is as follows:

1. Single one off payment applicable to all Gate 2 BESS projects regardless of being in the oversubscribed queue;
2. Capped at £1.5k/MW applicable to all Gate 2 projects regardless of being in the oversubscribed queue;
3. The fee becomes payable 9 months from acceptance of Gate 2 grid offer, applicable to all projects; and
4. Fully refundable on energisation

Workgroup discussion: Firstway Energy introduced an alternative approach consisting of a single fixed one-off security for Gate 2 BESS projects, which would be paid following a specific period after offer or acceptance and refunded upon energisation.

The discussion emphasised the simplicity and reduced administrative burden of this method but also raised concerns that the proposed security level might not be sufficient to encourage meaningful attrition. Additionally, uncertainties were noted regarding oversubscription thresholds and how this proposal would interact with Gate 2 acceptance.

Workgroup Consultation question 19: Do you agree with the proposed Alternative Request 2 solution?

A parameter comparison table can be found in **Annex 07** for these Alternative Requests against the Original solution.

What is the impact of this change?

Original Proposer's assessment against Code Objectives

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	**Identified impact**
(i) The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	**Neutral** No impact
(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;	**Positive** There is limited competitive pressure on relatively uneconomic projects with Gate 2 Offers to leave the queue and enable more economic projects with Gate 2 Offers to progress. This change introduces an economic incentive for Developers of less viable projects to leave the queue and for Developers of the best projects to remain, better facilitating competition between Developers.
(iii) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	**Neutral** No impact
(iv) Promoting efficiency in the implementation and administration of the CUSC arrangements.	**Positive** NESO is currently dealing with more Gate 2 Offers than are needed. This change will reduce the number of Connection Agreements for BESS, improving efficiency in delivery of Connections Reform.

** 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.

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories	
Stakeholder / consumer benefit categories	**Identified impact**
Improved safety and reliability of the system	**Neutral**
Lower bills than would otherwise be the case	**Positive** This change will have a two-fold impact on consumer bills: (i) Where a technology is oversubscribed, it will create a mechanism whereby the least economic projects are removed from the queue and the most economic progress. That will result in an overall lower cost system (ii) Removing oversubscription will enable TOs to move more quickly on designing and building network connections for new projects, bringing them online sooner, increasing margins in the electricity market, and reducing prices
Benefits for society as a whole	**Neutral**
Reduced environmental damage	**Positive** Progress towards Clean Power 2030 has effectively stalled while NESO and TOs work on issuing Connection Agreements post Connections Reform. This change will remove key remaining blockers (namely the overdesign of network to connect oversubscribed technologies) and thus enable progress towards Clean Power 2030 to accelerate more quickly once Connection Offers are issued.

	The change should also reduce the number and magnitude of new substations required, as the most economic projects are likely to connect at existing substations. That in turn reduces the impact on local communities and environments in the areas where those substations are no longer needed.
Improved quality of service	**Neutral**

When will this change take place?

Implementation date

CMP470 will be introduced into the CUSC 10 Business Days following a Decision by the Authority.

Actual practical application would be expected in the first securities statement after both (i) all Gate 2 Offers from the G2tWQ process have been signed of lapsed; and (ii) all Gate 2 Offers from the first Gated Application Window have been signed of lapsed. Based on current timelines proposed by NESO, that would be the July 2027 securities statement ahead of securities to be placed in September 2027 for the October 2027 to March 2028 securities period.

Date decision required by

A decision is required as soon as possible, but in any case, by 1 August 2026. NESO has indicated that Gate 2, Phase 1 offers for 2028 to 2030 projects will be issued in the window from mid-May to mid-September 2026. With a three-month acceptance period, the earliest of those project Gate 2 Offers will need to be accepted (or will lapse) in mid-August 2026, assuming offers start to be issued promptly in mid-May.
An Authority decision is required before those projects sign their Connection Agreements, so that the implications of the upcoming increase in securities which this CMP470 change would introduce, i.e. the OTCF; can be factored into Developers' decision making. This gives Developers an opportunity to exit the connection queue, without incurring Cancellation Charges, by them not signing their Gate 2 Offer.

With this Authority decision deadline, if a customer was issued their Gate 2 offer at the beginning of the window (i.e. in mid-May 2026), they would have two weeks remaining in the window to accept that offer. However, based on NESO's issuing of offers to date, it is unlikely that the bulk of the Gate 2, Phase 1 offers will be issued at the beginning of this

window. Developers will also have visibility of this CMP470 proposal as it develops, so will be able to consider options based on, for example, the Original solution (and any alternatives) presented to the Authority in the Final Modification Report.

Implementation approach

Some NESO tools may need to be updated, potentially alongside those for the Distribution Network Operators (DNOs).

Interactions

☐Grid Code	☐BSC	☐STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[1]	☐Other modifications	☐Other

No interactions currently identified.

How to respond

Standard Workgroup Consultation questions

1. Do you believe that the Original Proposal better facilitate the Applicable Objectives versus the current baseline?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?
4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?
5. Do you agree with the Workgroup's assessment that the modification does not impact the European Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?

Specific Workgroup Consultation questions

6. Do you agree with the Workgroup's understanding of the issues which oversubscription creates?
7. Do you have evidence which may support the Workgroup in understanding what proportion of projects in the Gate 2 queue are unviable?
8. Do you have any comments on the Workgroups understanding of technical and economic viability?

9. Do you agree with the proposed activation threshold of 50% oversubscription and deactivation threshold of 25% oversubscription?
10. Do you think the OTCF should apply based on national or regional oversubscription?
11. Do you agree with the proposed timing of the OTCF from implementation or Gate 2 contract signature (whichever is sooner) up to energisation?
12. Do you agree with the proposal to apply the OTCF as a securities floor?
13. Do you agree with the level of the OTCF, including minimum and maximum levels if changing over time?
14. Do you agree that the OTCF should be applied to projects which co-locate an oversubscribed technology with another technology?
15. Do you agree that the OTCF should apply as well as the PCF?
16. Do you agree that any OTCF funds relating to a customer which does not go on to energise should be returned to consumers via TNUoS?
17. Do you agree that NESO should have the option not to implement the OTCF if the activation threshold is breached?
18. Do you agree with the proposed Alternative Request 1 solution?
19. Do you agree with the proposed Alternative Request 2 solution?

The Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to cusc.team@neso.energy using the response pro-forma which can be found on the CMP470 modification page.

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form which you can find at the above link.

If you wish to submit a confidential response, mark the relevant box on your consultation proforma. Confidential responses will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

Acronyms, key terms and reference material

Acronym	Meaning
BESS	Battery Energy Storage System
BSC	Balancing and Settlement Code
CfD	Contracts for Difference
CP30	Clean Power 2030
CUSC	Connection and Use of System Code
DESNZ	Department for Energy Security and Net Zero
DNOs	Distribution Network Operators
EBR	Electricity Balancing Regulation
G2tWQ	Gate 2 To Whole Queue
GC	Grid Code
GW	Gigawatt
LDES	Long Duration Electricity Storage
MW	Megawatt
NETS	National Electricity Transmission System
NESO	National Energy System Operator
MODAPP	Modification Application
OTCF	Oversubscribed Technologies Commitment Fee
PCF	Project Commitment Fee
SSEP	Strategic Spatial Energy Plan
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code

T&Cs	Terms and Conditions
TEC	Transmission Entry Capacity
TMO4	Target Model Option 4
TMO4+	Target Model Option 4 Plus
TNUoS	Transmission Network Use of System
TO	Transmission Owner

Annexes

Annex	Information
Annex 01	CMP470 Proposal Form
Annex 02	CMP470 Terms of Reference
Annex 03	CMP470 Urgency Decision
Annex 04	CMP470 Worked Examples
Annex 05	CMP470 Alternative Request 1 – Root Power
Annex 06	CMP470 Alternative Request 2 – Firstway Energy
Annex 07	CMP470 Parameter Comparison Table