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Workgroup Consultation "2" Response Proforma

CMP414: CMP330/CMP374 Consequential Modification

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to usc.team@neso.energy by **5pm** on **18 May 2026**. 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 usc.team@neso.energy

Respondent details	Please enter your details	
Respondent name:	Matthew Paige-Stimson	
Company name:	National Grid Electricity Transmission plc	
Email address:	Matthew.paige-stimson@nationalgrid.com	
Phone number:	Click or tap here to enter text.	
Which best describes your organisation?	☐ Consumer body ☐ Demand ☐ Distribution Network Operator ☐ Generator ☐ Industry body ☐ Interconnector	☐ Storage ☐ Supplier ☐ System Operator ☒ Transmission Owner ☐ Virtual Lead Party ☐ Other

I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (*this will be shared with industry and the Panel for further consideration*)

☐ **Confidential** (*this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration*)

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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.*

For reference, (for consultation questions 5) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- a) *fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) *enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) *integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) *ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*

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- f) *facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) *facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the 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:	
		Original	☒ i ☒ ii ☐ iii ☐ iv ☐ None
		The Applicable Objectives have been partially addressed.	

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		Overall, NGET supports the intent of CMP414 to extend contestability, recognising its potential to enhance customer choice and enable more timely and flexible delivery of connections. However, the extent to which these benefits are realised will depend on clear definition of contestable scope and accountabilities: limiting the extent to which other parties can be adversely affected; strong coordination across parties delivering connections; and appropriate safeguards to protect whole-system and whole-life outcomes for consumers. We note Ofgem’s intention to remove CMP414 from the standard CUSC modification process and instead progress changes through its PIA powers. We therefore understand that views expressed in this consultation will inform Ofgem’s approach, so our response reflects our support for the direction extended contestability, within the practical considerations that are needed to ensure it is implemented effectively. On balance, CMP414 <i>can</i> better facilitate objectives (i) and (ii) relative to the baseline, provided implementation is carefully designed. <u>i) Efficient discharge of transmission licence obligations.</u> Transmission Owners (TOs) are required to develop the network efficiently for current and future users. Contestability can support this objective where it accelerates delivery and provides flexibility. However, without appropriate controls and tighter definition, it could
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		challenge TOs' ability to optimise across the whole system and across all timeframes. The themes below set out and provide comment where CMP414 interacts with our work and licence obligations: - Whole-system coordination and evolving network needs - Managing delivery risk and interdependencies - Withdrawal or change of delivery party - Cost, reliability, and incentive alignment <i>Whole-system coordination and evolving network needs</i> Connection design and delivery are not static. Network requirements frequently evolve between signing an offer and delivery due to new connection applications; changes in wider system requirements; or termination of existing projects. Where a customer undertakes contestable works beyond "sole-use assets" (which must be both clearly defined and commonly understood), decisions taken at a project level may have implications for other customers and future network development. CMP414 should therefore ensure: - clear accountabilities for network design remain with TOs, and - coordination mechanisms allow changes to be managed transparently and efficiently across parties. <i>Managing delivery risk and interdependencies</i> Large-scale transmission works are complex and interdependent. Risks arise where:
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		- delivery milestones between parties are not aligned; and / or, - delays or changes in one project cascades into others. These stem largely from interactions between outages, supply chain constraints, or critical resources. In a contestable model, delivery may be driven by individual project priorities rather than system-wide optimisation. CMP414 should therefore include provisions to: - Ensure milestones across multiple projects align, - Clear coordination, intervention, and veto mechanisms, and - Defined processes for managing change, delay, and dispute. These are important to avoid unintended impacts on other connections and the wider network. <i>Withdrawal or change of delivery party</i> There remains a risk that a customer undertaking contestable works underperforms, transitions delivery back to the incumbent, or withdraws entirely. While manageable in isolation, this becomes more complex where other users depend on those works, potentially leading to delays and increased costs. In extending the contestability framework we must therefore set out how such scenarios are handled, and how these risks are allocated / mitigated. <i>Optimising for future users and whole-life outcomes</i>
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		A key tension exists between: - project-level optimisation by individual users, and - whole-system optimisation required of TOs. For example, users may favour designs that minimise their own delivery complexity or timelines, whereas TOs must consider future network needs, anticipatory investment, and options to manage asset health. To safeguard this, network design authority should remain with TOs, particularly where CMP414 impacts more than one sole-party looking to undertake contestable activities. <i>Cost, reliability, and incentive alignment</i> TOs operate under incentives to deliver efficiently, manage costs, and maintain reliability. By contrast, parties undertaking contestable works may prioritise their own connection outcomes, potentially: - favouring speed over cost optimisation, or - making decisions that do not fully account for long-term network performance. This risk is particularly relevant where: - contestable works extend beyond sole-use assets, and - cost allocation between connection and wider infrastructure can be influenced. Mitigations should include: - clear asset standards and specifications, - robust inspection and assurance processes, and
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		- appropriate allocation of incremental costs to contestable parties. We also note the legal text requires customers to progress certain work on a fixed price basis. We understand the intent behind this and recognise this is a tool to manage cost changes. However, the supply chain will price this into their contracts, with a proportion of the cost being borne by consumers. Consideration may also be needed for how ownership models influence incentives (we expand this in response to Q3), particularly where short-term delivery decisions affect long-term asset performance and cost. <u>ii) Facilitating effective competition</u> CMP414 has the potential to enhance competition by: - increasing customer choice, - enabling alternative delivery routes, - and supporting faster connection timelines. <i>Conditions for effective competition</i> The contestability framework can deliver genuine competition and value for consumers, but these benefits depend on: - clear definition of contestable scope, avoiding ambiguity over roles and responsibilities, - consistent technical and delivery standards, maintaining a level playing field, - effective coordination mechanisms, recognising interdependencies between customers and the work to connect them, and
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		- alignment of incentives across parties, particularly where delivery decisions affect wider system impacts. <i>Supply chain and resource constraints</i> Contestable and non-contestable works will often draw from the same limited pool of specialist resources. Without coordination, this could: - drive inefficiencies, - increase costs, or - delay delivery across the broader portfolio of transmission work. Effective planning and visibility across parties will therefore be essential to ensure competition does not inadvertently reduce overall system efficiency. <u>iii) Compliance with Electricity Regulation</u> We do not consider there to be a conflict with this objective. <u>iv) Promoting efficiency in the implementation and administration of CUSC arrangements</u> CMP414 introduces provisions relating to Adoption Agreements between TOs and Users, including high-level expectations on their content and use. The proposal establishes a clearer framework for how and when they are required, as well as their relationship to contestable works and asset adoption, which we support in principle. However, clarity on governance and dispute resolution is essential. Where disputes relating to Adoption Agreements are drawn into CUSC processes (to which TOs are not
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		party), this could create misalignment between accountabilities (TO and Customer) and governance (NESO and Customer). Reflecting CMP414 roles and responsibilities within the STC and associated frameworks would improve governance alignment, reduce complexity, and support more efficient administration.
2	Do you support the proposed implementation approach?	☐ Yes ☒ No While we support CMP414 with caveats, we do not consider that a 10-day implementation period is sufficient. Implementing the proposal at this pace risks undermining the coordination, governance and incentive alignment required to deliver efficient whole-system and whole-life outcomes. As set out in Q1, the effectiveness of CMP414 depends on clearly defined scope and accountabilities, robust coordination mechanisms, and appropriate safeguards to manage delivery risk, interdependencies, and whole-life and whole-system outcomes. These arrangements mainly sit outside the CUSC framework and require development by TOs and NESO and, where appropriate, engaging with customers. As discussed within the Working Group, we consider a period of approximately 6 months to be necessary to: - review, develop and agree Adoption Agreement(s); - align with NESO on veto and intervention criteria;

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		- develop policies to best ensure co-ordination between parties; and - establish the associated processes and governance frameworks required to support coordinated delivery. This is a minimum period required to ensure that implementation supports the benefits from contestability, rather than compromising, efficient system development and effective competition. It will enable a more controlled transition and improve the likelihood that customers electing to use these arrangements can do so in a framework that delivers consistent, reliable and ‘value-for-consumer’ outcomes.
3	Do you have any other comments?	We have two areas that we would like to provide further comments: - the interaction of CMP414 with TOs’ price controls; and - parallels with contestable arrangements in other jurisdictions. Interaction with TO Price Controls CMP414 introduces delivery arrangements that interact with TOs’ price control framework in ways that are not yet fully recognised or addressed. These interactions are important, as they materially influence incentives, risk allocation, and ultimately outcomes for consumers. Firstly, the delivery of connection works forms part of Transmission Owners’ (TOs’) incentivised totex under the price control. Under a more contestable model, a greater proportion of delivery-related decisions and associated

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		costs will sit with Customers and their supply chains rather than TOs. This reduces the degree of control TOs have over cost control, allocation, and optimisation. Customers, on the other hand, do not have equivalent incentives to minimise efficient whole-system costs (as they are not exposed to them). There is therefore a risk that cost and their allocation are not optimised from a system or consumer perspective. Secondly, CMP414 has the potential to affect the operation of connections-related performance incentives. Under the T3 price control framework, TO performance is assessed against delivery outputs for which they largely retain control. Introducing greater contestability creates a model where TO performance outcomes will depend on the actions of third-parties. This is particularly true given the interaction between investments, system access, and critical resources where delays on one connection can impact others (even at a different site). This would risk weakening the effectiveness of incentive frameworks, unless appropriately recalibrated to reflect the changed allocation of responsibilities. More broadly, this creates a potential misalignment between: - delivery responsibility, which may sit with Users and their contractors; and - regulatory accountability, which remains with TOs. Without careful consideration, this misalignment could: - dilute incentives for efficient delivery;
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		- increase exposure to delivery and cost risk without corresponding control; and - ultimately lead to higher or more uncertain costs for consumers. While these issues do not directly prevent CMP414 from being progressed, they are integral to whether the proposal aligns with existing frameworks and deliver efficient outcomes in practice. As such, they should be considered as part of the wider regulatory framework ahead of implementation, including whether (in light of greater contestability) any adjustments to price control arrangements or incentive mechanisms are required to maintain alignment with whole-system efficiency and consumer value. <i>Contestable arrangements in other jurisdictions</i> International experience of contestability, including in Ireland, has been used by the Working Group as evidence of its potential benefits. While these examples provide useful insights, there are important structural differences between these systems and the GB transmission network that should be carefully considered. Differences in voltage levels, network topography, and design standards mean that evidence from lower voltage systems (e.g. up to ~110-132kV) does not directly translate to parts of the GB transmission network, which operates at 275kV-400kV and involves a greater degree of shared infrastructure and wider system integration. These differences are material, as they increase the importance of whole-system coordination, design
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		authority, and management of interdependencies – all of which are central to the issues identified in Q1. This does not undermine the case for contestability. Rather, it highlights the need to apply these learnings logically or limit the proposed contestability framework to specific circumstances where customer and consumer benefits can be better assured. Which in turn – reinforces the importance of clearly defined accountabilities, robust coordination mechanisms, and appropriate safeguards to manage whole-system and whole-life outcomes (see our response to Q1).
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	☐ Yes (the request form can be found in the <u>Workgroup Consultation Section</u>) ☒ No
		N/A
5	Does the draft legal text satisfy the intent of the modification?	☒ Yes ☐ No
		N/A
6	Do you agree with the Workgroup's assessment that the modification does not	☒ Yes ☐ No

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	impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	N/A
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Specific Workgroup Consultation questions		
7	Do you believe that the Workgroup met the questions and concerns raised by Ofgem in the send back letter of August 2024. If not, please would you provide further information or evidence on any of the points set out in the send back letter appearing in Annex 03 of this report	As reflected in Annex 3 of the Workgroup Consultation, some points could not be fully resolved and remain relevant to the assessment of this proposal.

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8	To what extent does CMP414, consequential to CMP330/374, help achieve the objectives outlined in Ofgem's demand connections reform call for input, as well as providing benefits to generation and storage? What gaps do you believe there are and what would you recommend to address them? Please provide evidence for any comments	We consider the intent of CMP414 to be aligned with, and capable of supporting, Ofgem's demand connections reform objectives. However, as noted in Q1 and Q2: the extent to which these benefits are realised – and the degree to which the risks we identify are mitigated – will vary according to the scope over which contestability applies. The safeguards outlined in Q1 will influence how effective contestability is in practice: helping to manage change events, support delivery complexity, and coordinate between customers and projects. This is especially relevant in more complex parts of the transmission system, where a higher degree of interdependency increases the importance of coordination and whole-system and whole-life optimisation. Conversely, there may be areas where network and asset characteristics are more conducive to contestable delivery. For example, where assets are more discrete, have limited wider system interactions, and are closely aligned to a single user's requirements, the potential benefits of contestability may be more readily realised, subject to appropriate safeguards. This highlights the importance of clearly defining what is in scope for contestability, supported by agreed and transparent criteria. In this context, there may be merit in considering how contestability frameworks apply to sole-use demand assets at lower voltage transmission levels (e.g. 132kV). In such cases, the nature of the assets and their closer alignment to individual users may reduce system
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		complexity and interdependency relative to wider shared infrastructure, while still enabling the benefits of competition and alternative delivery models. We also note uncertainty regarding Electricity Act licensing (or the need for an exemption) where assets are constructed and operated before TO adoption or are retained under user ownership. Clarity on ownership models will be important, as it can materially influence incentives around cost control, delivery performance and asset quality. For demand customers, retention of ownership of contestably delivered sole-use assets may provide a closer alignment between delivery responsibility, cost exposure and long-term operation. This could help mitigate some of the incentive misalignments identified in Q1, where parties undertaking delivery may otherwise prioritise timelines over cost or whole-life efficiency. This would also be more consistent with ownership models observed in generation connections, where generators typically own the assets connecting to the 275kV or 400kV network.
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