

Trisha McAuley OBE
Independent Chair CUSC Panel & Grid Code Panel
Ren Walker
CUSC Panel Technical Secretary

Email: connections@ofgem.gov.uk

Date: **20 February 2025**

Dear Trisha,

Decision on urgency for the Connection and Use of System Code modification proposal CMP448: 'Introducing a Progression Commitment Fee (PCF) to the Gate 2 Connections Queue.'

On 6 February 2025, National Energy System Operator Limited (**NESO**) (the 'Proposer') raised CUSC¹ modification proposal CMP448 (the 'Proposal').² On 14 February 2025, the CUSC Panel convened and, following the Panel meeting, we received a request from the CUSC Panel that CMP448 be treated as an urgent modification proposal.³

This letter sets out our decision that CMP448 be progressed on an urgent basis.

Background

As of December 2024, there were 753GW worth of projects holding a connection contract across the transmission and distribution network - 578GW at transmission and 175GW on the distribution network.⁴ This far exceeds what is estimated to be needed for GB to achieve Clean Power in 2030⁵ or to be on track for net zero by 2050.⁶

This has resulted in waiting times in the electricity connections queue being too long, the connections rate too slow, and the mix of generation/storage projects in the queue being

¹ [Connection and Use of System Code \(CUSC\) | National Energy System Operator](#)

² [CMP448 Introducing a Progression Commitment Fee to the Gate 2 Connections Queue | National Energy System Operator](#)

³ References to the "Authority", "Ofgem", "we", and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

⁴ <https://www.energynetworks.org/industry/connecting-to-the-networks/connections-data>

⁵ <https://www.gov.uk/government/publications/clean-power-2030-action-plan>

⁶ <https://www.neso.energy/publications/future-energy-scenarios-fes>

misaligned with system need and far in excess of what is needed under future demand scenarios. This is leading to inefficient network planning and risks damaging the confidence of existing investors. New connection offer dates for generation and demand are now extending into the 2040s, also reducing new investors' confidence in the connections process.

In November 2023, Ofgem and DESNZ published our joint Connections Action Plan (**CAP**).⁷ This set out a framework of actions and further ambitions needed to tackle the growing delays customers are experiencing when seeking network connections. One of the actions was to "Identify, assess, and bring forward recommendations to strength entry requirements further" which included "Increasing financial requirements for attaining a connection or holding connection capacity."⁸

Initiatives developed by NESO include the introduction of Queue Management Milestones (CMP376), introduction of a requirement to provide evidence of a landowner letter of authority (CMP427), and the TMO4+ connections reform proposals, which include CMP434 and CMP435.⁹ These proposals seek to raise the entry requirements to the connections queue and ensure that projects receiving connection offers are ready and progressing.

If approved¹⁰, TMO4+ would introduce minimum criteria (Gate 2 criteria) which a connection customer (existing and new) would have to meet before they are offered a Gate 2 connection offer with a firm connection location and connection date.¹¹ Once a user has met these criteria, they would then have to meet User Progression Milestone 1: 'Initiated Statutory Consents and Planning Permission' within a time period as specified in CUSC Section 16, or risk having their connection agreement terminated.

NESO is concerned that, if TMO4+ is approved, the existing framework would not provide a sufficient financial incentive for developers to reflect on the viability of their projects in a regular and timely manner once inside Gate 2. Further, NESO are concerned that developers are not sufficiently incentivised to either exit the Gate 2 connections queue or sell their projects in a timely manner if they do not intend to progress the projects themselves.

⁷ <https://assets.publishing.service.gov.uk/media/6581730523b70a000d234bb0/connections-action-plan-desnz-ofgem.pdf>

⁸ Page 36 [Connections Action Plan: Speeding up connections to the electricity network across Great Britain](#)

⁹ [Connections Reform | National Energy System Operator](#)

¹⁰ Our consultation is currently open, with a decision expected in early Spring 2025. [Consultation on connection reform \(TMO4+\) enablers, including a statutory consultation on modifications to licence conditions | Ofgem](#)

¹¹ Subject to exceptions at NESO discretion, via Reservation powers proposed in CMP434 and CMP435 if approved.

NESO has identified this time period between Gate 2 entry and Milestone 1 as a period that carries highest risk of projects failing to progress and holding network capacity that could be better used by other parties.

CMP448¹² would introduce a new fee payable by those in Gate 2 on termination or reduction in capacity, the "Progression Commitment Fee" ("PCF"). NESO's proposal is that the PCF would initially be dormant, and it would remain dormant unless a defined trigger was met, at which point it may be activated, subject to decisions to proceed by NESO and Ofgem.

NESO believes that this solution would ensure developers were incentivised to self-select out of the queue or sell their project to a committed developer in a timely manner, which would in turn ensure the connections queue was made up of committed developers and viable projects.

We note the interactions that CMP448 has with related CUSC modifications CMP434 – "Implementing Connections Reform"¹³, and CMP435 – "Application of Gate 2 Criteria to existing contracted background"¹⁴, the Final Modification Reports (**FMRs**) for which were submitted to Ofgem for decision on 20 December 2024, and for which Ofgem published a consultation on its minded-to decisions in respect of those modifications on 14 February 2025.¹⁵ **Our decision to grant urgency to CMP448 in no way pre-determines our decisions on CMP434 or CMP435, or the wider TMO4+ package of reforms.** We would expect this proposal would be withdrawn if those code modifications are not approved.

Urgency request

The Proposer explained in its request why it was requesting urgency, referencing one of the three criteria set out in Ofgem's Guidance on Code Modification Urgency Criteria (the 'Guidance').¹⁶ It stated that the defects that the Proposal is seeking to correct is a current issue that, if not urgently addressed, may have "a significant commercial impact on parties, consumers or other stakeholder(s)" – in line with criterion (a) of the Guidance.

¹² The Proposal proceeds on the basis that CMP434 and CMP435 are approved and while Ofgem have not yet reached a final decision on these proposals (or wider TMO4+), given the issues raised, it is prudent to consider this issue now ahead of Ofgem's decision on TMO4+.

¹³ [CMP434 Implementing Connections Reform | National Energy System Operator](#)

¹⁴ [CMP435 Application of Gate 2 Criteria to existing contracted background | National Energy System Operator](#)

¹⁵ [Consultation on connection reform \(TMO4+\) enablers, including a statutory consultation on modifications to licence conditions | Ofgem](#)

¹⁶ [Ofgem Guidance on Code Modification Urgency Criteria | Ofgem](#).

The Proposer has suggested that there may be significant commercial implications for generation projects resulting from the failure to urgently address the defects that the Proposal is seeking to correct, in alignment with the potential implementation of CMP435 (if approved). The Proposal seeks to establish and introduce a financial commitment mechanism before the initial Gate 2 offers of the proposed new connections process are issued. This would allow the projects impacted by the Proposal to make decisions about their connection agreement and have certainty as to the arrangements they will be subject to. It would also enable NESO to quickly activate the PCF in response to need, for example if the Gate 2 queue contains too many unviable projects.

If this is not done, the Proposer suggests that project developers would be subject to uncertainty as to the costs they may be subject to in Gate 2, and the connections queue could contain unviable projects, both of which would delay connection dates for viable projects and could significantly impede progress towards achieving Clean Power by 2030.

Panel View

At the CUSC Panel meeting on 14 February 2025, the Panel agreed by majority to recommend to Ofgem that the Proposal should be progressed as an urgent modification proposal (6 votes supporting urgency, 3 votes not supporting urgency). Panel members broadly agreed with the Proposer's rationale for urgency. The below provides a summary of the points raised, with a fuller explanation of the Panel views set out in the urgency request letter.

Of the three Panel members which voted not to support urgency, one stated that they did not believe the Proposal "would change the commercial impact on users. As whenever CMP448 is implemented, the PCF will be applied and create the same commercial impact on users." In their view therefore, the Proposal did not meet Ofgem's criteria for urgency.

One Panel member stated that the proposals should not be progressed on an urgent basis due to the uncertainty in when the PCF would be implemented, combined with the uncertainty on whether it would be required due to the triggering of the PCF being dependent on the impacts of TMO4+ (should it be approved).

One Panel member suggested that urgency was not needed because users would only need certainty on their connections related financial liabilities and commitment before they sign a Gate 2 agreement (should TMO4+ be approved), which they would not receive until later in 2025.

Our decision

In reaching our decision on the urgency of CMP448, we have considered the details within the Proposal, the justifications for urgency, and the views of the CUSC Panel. We have also assessed the request against the urgency criteria set out in our Guidance.¹⁷

Our Guidance sets out that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed, may cause:

- a) a significant commercial impact on parties, consumers or other stakeholder(s);
or
- b) a significant impact on the safety and security of the electricity and/or gas systems; or
- c) a party to be in breach of any relevant legal requirements.

Without prejudice to our eventual decision on this code modification, we agree with the Proposer's justification for urgency. We consider that if this issue is not urgently addressed, this may cause a significant commercial impact on parties, consumers or other stakeholder(s), as per criterion (a), as is set out below:

- The uncertainty for project developers on their financial commitments when making decisions on whether to accept a Gate 2 offer, during the implementation of CMP435 (should it be approved), is a current issue that if not urgently addressed will subsist as TMO4+ (if approved) is implemented. This will cause commercial impacts such as impacting investment decisions that developers must make on these projects imminently if TMO4+ is approved. For example, projects may delay investment until potential financial obligations and commitments are known.
- It could result in a connections queue (following implementation of CMP435 should it be approved), that still contains unviable generation projects which, if not sufficiently incentivised to self-select out of the queue, would hold capacity until they were terminated for not meeting User Commitment Milestone 1. This would result in delays to the connections of viable projects, risking the delivery of Clean Power by 2030. Viable projects which are only given a Gate 1 offer, due to CP2030 capacities being met in part by unviable projects who would have otherwise been targeted by the proposals, could face negative commercial impacts, for example an inability to secure the required funding to progress their project due to the lack of a Gate 2 offer that they would otherwise receive.

¹⁷ [Ofgem Guidance on Code Modification Urgency Criteria | Ofgem](#).

- Granting urgency for this Proposal will provide greater visibility of the costs that Users may face in Gate 2 in good time, and will avoid the impacts mentioned in the two preceding bullet points.

We disagree with the view that the Proposal does not need to be treated as urgent because users would only need certainty on their connections related financial liabilities and commitment before they sign a Gate 2 agreement (should TMO4+ be approved), which they would not receive until later in 2025. The urgent timeline proposed by NESO for the Proposal would result in implementation in early 2026, which would align with this panel members timeline.

We believe this Proposal would have significant commercial impact on users and the decisions these users would be making by the end of 2025 should TMO4+ reforms be approved; we therefore disagree with the view of the one Panel member who believed that the uncertainty of if and when the PCF would be triggered meant that it should not be treated as urgent.

We consent to the Proposal being treated as urgent. We agree that the Proposal should follow the urgent timetable set out in the request for urgency letter (set out below), as it will ensure complementary aspects of connections reform are assessed in due time to provide clarity, with a timescale compatible with the wider connections reform. We consider that this timeline strikes a balance between allowing sufficient time for proposal development and industry consultation, while recognising the urgency of the situation.

Whilst we have set the date for Authority decision as Q3 2025, we will endeavour to publish our decision on the Proposal at the earliest opportunity, and as soon as is reasonably practicable following receipt of the FMR.

We encourage the Workgroup to be mindful of the condensed timeline and to progress the Proposal as efficiently as possible, whilst giving full due consideration of the Proposal and its implications. Any delay in delivery of the FMR to the Authority has the potential to jeopardise the proposed Authority decision date and implementation date, if approved.

CMP448 – Proposed Timetable¹⁸

Process	Date
Modification presented to Panel	14 February 2025
Ofgem grant Urgency	18 February 2025 (5pm)
Workgroup 1 – Workgroup 6	24 February 2025 26 February 2025 05 March 2025 12 March 2025 17 March 2025 20 March 2025
Workgroup Consultation (10 business days)	24 March – 07 April 2025
Workgroup 7 – Workgroup 13 (Assess Workgroup Consultation Responses and Workgroup Vote)	16 April 2025 23 April 2025 30 April 2025 07 May 2025 14 May 2025 19 May 2025 27 May 2025
Workgroup Report issued to Panel (3 business days)	03 June 2025
Panel sign off that Workgroup Report has met its Terms of Reference	09 June 2025
Code Administrator Consultation (10 business days)	10 June – 24 June 2025
Draft Final Modification Report (DFMR) issued to Panel (3 business days)	30 June 2025
Panel undertake DFMR recommendation vote	04 July 2025
Final Modification Report issued to Panel to check votes recorded correctly	04 July 2025
Final Modification Report issued to Ofgem	04 July 2025
Ofgem Decision	Q3 2025
Implementation Date	Q1 2026

For the avoidance of doubt, in granting this request for urgency, we have made no assessment of the merits of the Proposal and nothing in this letter in any way fetters our discretion in respect of the Proposal. As noted, our decision to grant urgency to CMP448 in no way pre-determines our decisions on whether to approve related CUSC modifications CMP434 or CMP435 and wider TMO4+ proposals, which are currently subject to consultation.

If you have any comments or questions about this letter, please contact:
connections@ofgem.gov.uk.

Yours sincerely,

Alasdair MacMillan

Policy Lead, Electricity Connections

Duly authorised on behalf of the Authority

¹⁸ See CMP448 – Letter requesting urgency at: <https://www.neso.energy/document/355406/download>