

FAO: Electricity Connections Team

By email: connections@ofgem.gov.uk

3 November 2025

Consultation on Connection and Use of System Code (CUSC) CMP448: Introducing a Progression Commitment Fee to the Gate 2 Connections Queue

Transmission Investment (TI) is a leading independent electricity transmission business in the UK, with over ten years of experience developing, acquiring and managing large complex infrastructure projects. TI manages one of the largest offshore electricity transmission portfolios in Great Britain (GB), in total we currently manage approximately 4.9GW of transmission and £3.8billion in capital employed.

TI is developing two Interconnector projects¹ and pursuing grid-stability projects, which support the Government objectives for Clean Power 2030 and its longer-term strategic energy plans. It is important to consider this CUSC change proposal as part of the suite of current sector reforms (which have been a long-time in development). Considering it alone increases the risk that strategically desirable in-flight projects will falter, making it harder to achieve the policy outcomes, i.e. we risk throwing the proverbial ‘baby out with the bath water’.

This risk is particularly acute for interconnector projects, which have rarely been considered in the main thrust of reforms (as there are few projects versus other technologies) and therefore find themselves as an afterthought, e.g. in connection reform and the advanced procurement policy.

Our projects are progressing and making substantial capital commitment earlier than initially envisaged by investors, while the uncertainty in the investment environment is also increasing, including from:

- potential changes in connection offers (date and location) resulting from connection reform, which has not been designed with the interconnector development timeline or regulatory regime in mind;
- reformed national pricing, which has the potential to change the project economics and business case; and
- supply chain seeking substantial financial capacity reservations, increasing the capital commitment needed before revenue certainty.

In this context, an additional financial security requirement further strains the investment case for these strategically important projects.

This CUSC modification was not originally part of the changes contemplated within the package of connection reforms which were developed over a long-period by the industry. Yet this proposal with material impacts has had short, two-week consultations limiting the time for parties to engage effectively in this modification. In addition, from our point of view there has been inadequate consideration of the impacts on interconnectors in the work group materials, failing to recognise the different development profile and therefore it is not clear the modification is fit for purpose for these types of projects.

¹ A link between Northern Ireland and Scotland known as “LirlC”, as well as the “FAB” interconnector between GB and France.

While this mechanism will likely work to remove zombie projects which are not progressing or making their own financial commitments, it would be unfortunate if it were also to lead to the loss of key strategic investments due to the cumulating financial burden and uncertainties from the multiple reforms and headwinds.

We would request Ofgem undertakes a specific impact assessment of the cumulative impact on different project types and the effect on its policy objectives, before deciding how to target these measures to best deliver those objectives. It should be obvious that while generation and battery storage projects are largely substitutable, interconnectors, are both strategically important to long-term Government objectives and cannot be easily replicated (particularly due to the long development timeframes and inter-dependencies with other regulatory decisions).

Introducing the additional financial commitments through CMP448, alongside the other headwinds and uncertainty without commensurate changes in the interconnector revenue regime adds to the growing imbalance of risk and reward, and whether they remain a 'fair-bet'. We would therefore request that Ofgem evaluates the impact of CMP448 on facilitating effective competition in electricity supply and as to whether this supports Ofgem's wider objectives, including supporting UK growth and enabling an adequate level of interconnection capacity².

In conclusion, Transmission Investment sees the CMP448 proposals negatively affecting competition for electricity. It is likely to further reduce investor confidence in the predictability of the GB framework and puts at greater risk the investments in strategic projects which are necessary for delivering on Clean Power 2030 and the Net Zero targets.

We welcome the opportunity to respond to this consultation, with answer to the specific consultation questions below.

Q1. Do you agree with our minded-to position to approve the Original Proposal of CMP448? Please provide reasons for your answer.

While we acknowledge the intent behind CMP448 to improve queue efficiency and quality whilst incentivising timely project progression, we do not support the approval of the Original Proposal in its current form. Our concerns are rooted in the following key areas:

1. Proportionality and Additionality of the Fee

The proposed Project Commitment Fee (PCF) introduces a significant financial liability, particularly for large-scale projects such as interconnectors. The fee escalates rapidly—from £2,500/MW to £10,000/MW over a relatively short period—and is applied at a critical development stage, prior to achieving Milestone M1 (consent submission). This timing coincides with high uncertainty and risk, especially for complex projects with long consenting timelines.

Moreover, the retrospective application of the PCF to projects that have already signed Bilateral Connection Agreements (BCAs) without this fee being disclosed is deeply problematic. Many developers, including ourselves, have made strategic decisions on connection location and timing based on the existing cancellation charge framework. Introducing a new fee, post-agreement, undermines contractual certainty and investor confidence in the GB grid connection regime.

2. Opacity and Lack of User Control Over Activation

The PCF is triggered by an "Activation Threshold" based on aggregate terminations and capacity reductions, yet this metric is both opaque and outside the control of individual developers. Users have no visibility into how close the threshold is to being met, nor any ability to influence it. This creates a

² with reference to the Authorities duties under section 3F of the Electricity Act

scenario where developers may suddenly face substantial financial obligations without suitable prior warning or recourse.

The discretionary nature of NESO's activation decision, while intended to provide flexibility, adds further uncertainty. Without clear, transparent criteria and real-time reporting, the PCF risks being perceived as arbitrary and unpredictable.

3. Impact on Investor Confidence and Project Viability

The introduction of the PCF adds a new layer of financial risk that was not accounted for in original project financing models. This is particularly concerning for interconnector projects, which involve cross-border coordination, regulatory approvals, and long lead times. For future offshore wind farms, the development period is similarly long, with high development costs. The additional liability may deter investment or force premature project exits, even for technically viable schemes.

The cumulative effect of retrospective charges, opaque activation mechanisms, and escalating fees contributes to a perception of regulatory uncertainty. This is coupled with the ongoing NESO Connections Reform process, recently announcing a further 6-month delay. We believe this risks undermining the attractiveness of GB as a destination for energy infrastructure investment, particularly in the context of delivering CP2030 and Net Zero targets.

Q2. Do you have any further remarks, comments or concerns with our minded-to position or the accompanying Impact Assessment, that you would like us to take into account?

Yes, we would like to raise the following additional points:

Technology and Location Sensitivity

The PCF does not account for differences in project type, location, or consenting regime. For example, offshore wind and interconnectors face longer planning timelines and more complex statutory processes. A one-size-fits-all fee structure risks penalising these projects disproportionately.

Interaction with Existing Securities

The overlap between the PCF and existing CUSC securities creates a stacking of liabilities. This may result in double-counting of risk and further strain on developer cash flow, especially for capital-intensive projects.

Timing of Implementation

Given that connection reforms are still underway and embedding, it may be premature to introduce a new fee mechanism. Connections reform means NESO has had little time to mature its use of queue management milestones to remove projects which are not progressing. It is not obvious that there is evidence of why another mechanism is required over and above this before the previous policy has been evaluated. This is particularly true considering the bar for projects has already been raised to gain a Gate 2 connection offer. We therefore would advocate to reject this proposal to allow time for the suite of Connection Reforms to be implemented. The wholesale nature of the inflight reforms makes it almost impossible to judge if this measure would lead to better meeting the objectives until their impact is understood. If they achieve the reduction in the queue to those that are strategically aligned and progressing, this measure may lead to losing a proportion of those (due to the additional financial burden), damaging the prospects of meeting the Government objectives.

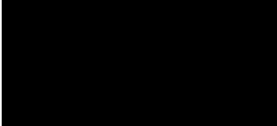
Alternative Approaches

Consideration should be given to more targeted mechanisms, such as milestone-based incentives or differentiated fees based on project characteristics. These could achieve the same behavioural outcomes without imposing blanket financial penalties.

In summary, while we support the goal of improving queue efficiency and ensuring committed projects progress, the current design of the PCF under CMP448 raises concerns around proportionality, transparency, and investor confidence. We urge reconsideration of the proposal, only after the impacts of the Connection Reforms have been demonstrated to be ineffective and with more extensive engagement with developers to co-design a solution that balances connection efficiency with fair treatment of existing and future projects.

We hope the contents of the letter are helpful, and we would be pleased discuss any points raised.

Yours sincerely,

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Corporate Development Director