
About us

Since 1978, Solar Energy UK has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users. A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large-scale developers, investors, and law firms.

Our mission is to empower the UK solar transformation. We are catalysing our members to pave the way for 70GW of solar energy capacity by 2035. We represent solar heat, solar power and energy storage, with a proven track record of securing breakthroughs for all three.

Respondent details

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Would you like this response to remain confidential: No

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Connection and Use of System Code (CUSC) CMP448: Introducing a progression commitment fee to the Gate 2 connections queue

Solar Energy UK welcomes the opportunity to respond to Ofgem's consultation on CMP448, whilst we won't address questions individually, please see our high-level response below.

Executive Summary

Solar Energy UK supports Ofgem's goal of improving efficiency and discipline in the electricity connections queue. However, we have serious concerns about the timing, structure, and design of the proposed Progression Commitment Fee (PCF) between *Gate 2 offer acceptance* and *Queue Management Milestone 1 (M1)*.

We believe the current proposal would:

- Disproportionately disadvantage small and medium-sized developers.
- Misallocate capital at a time of significant market uncertainty.
- Risk slowing renewable deployment towards CP2030 delivery targets.

A re-phased, evidence-based PCF aligned with M1 would maintain queue discipline while protecting market diversity and investment confidence.

Key Issues:

1. Existing Milestone Incentives Are Sufficient

Distribution-connected projects already face tight development milestones (M4 + 2 or +12 months depending on EIA requirements). These deadlines effectively incentivise timely progress, as missing them results in automatic termination of the Gate 2 offer. Introducing an additional financial requirement at this stage is unnecessary and inefficient.

2. Inefficient Use of Capital

Lodging PCF securities during the high-risk, pre-planning phase would lock up scarce development capital. This would especially impact smaller developers and community-scale schemes, limiting competition and diversity across the renewables sector.

3. Distorting Market Signals

Under the current PCF design, if enough projects voluntarily withdraw (6.5 GW threshold), all remaining projects could be charged – effectively penalising those that are genuinely progressing. This introduces unnecessary uncertainty and could undermine developer confidence in queue management fairness.

4. Behavioural Impact

The PCF is unlikely to change behaviour for speculative or “flipping” projects that remain in the queue while seeking a buyer. Increasing the PCF further would simply heighten barriers for smaller and mid-sized developers without deterring speculative behaviour.

5. Analytical and Financial Concerns

The use of real option analysis is not suitable for project development, which is characterised by discrete decision points rather than continuous valuation. A game-theory-based framework would more accurately capture developer behaviour and decision dynamics.

6. Unrealistic Financial Assumptions

The assumed 8 % cost of capital materially understates the true financing conditions for pre-planning projects.

- Typical project finance blends (12–20 % debt and 30–50 % equity) yield a weighted average cost of capital (WACC) of approximately 24–25 %.
- At these rates, the effective PCF cost is two to three times higher than Ofgem’s mid-case assumption.
- This would make early-stage projects, especially solar and storage, unfinanceable for all but the largest corporates.

7. Disproportionate Impact on Solar and Storage

These technologies have comparatively low development expenditure (DEVEX) and thus bear a higher relative cost burden from the PCF. Smaller

developers would struggle to access affordable debt, and reliance on equity would erode returns, deterring future project initiation.

Recommendations:

Solar Energy UK recommends the following amendments to ensure the PCF achieves its intended purpose without undermining investment or delivery:

1. Timing: Defer implementation until 12 months after Gate 2 processes stabilise.
2. Trigger Point: Commence the PCF at Milestone 1 (M1), not at Gate 2 offer acceptance.
3. Structure: Apply a progressive fee (e.g., £2,500/MW, increasing every six months post-M1).
4. Financial Realism: Re-benchmark assumptions to reflect true pre-planning funding costs (12–20 % debt, 30–50 % equity).
5. Transparency: Base activation on published queue-health metrics and ensure transparent handling of securities.
6. Proportionality: Introduce scaled or exempted provisions for smaller and community-led projects to preserve competition.