



**Response to Connection and Use of System Code (CUSC) CMP448:
Introducing a progression commitment fee to the Gate 2 connections
queue. Ofgem's minded minded-to position to approve the Original
Proposal of CUSC code modification CMP448**

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Executive Summary of Consultation Response – CMP448

Enviromena does not support Ofgem's minded-to position to approve the Original Proposal (OP) of CMP448. While we recognise the intention to improve queue management, we believe the proposal introduces disproportionate financial and procedural burdens, particularly for smaller developers and projects connecting at the distribution and transmission level.

The Progression Commitment Fee (PCF) of £2,500–£10,000/MW disproportionately impacts solar and energy storage projects due to their lower Development Expenditure. Smaller developers face significant barriers to securing the required financial guarantees, favouring larger, well-capitalised firms and reducing market diversity.

The PCF may lead to premature project cancellations, discourage larger projects, and incentivise speculative or low-quality planning applications to avoid the PCF. Developers may also seek to delay Gate 2 applications until planning is secured, reducing transparency and undermining network planning.

The Impact Assessment relies on Real Option modelling, which assumes NPV-based decisions. This does not reflect real-world project development, where decisions are binary and influenced by sunk costs, and non-financial risks such as land access, permitting or regulatory uncertainty.

The PCF may overload the Town and Country Planning system with premature or low-quality applications.

The Impact Assessment fails to consider the cost and risk of planning submissions or the anti-competitive effects of the PCF on smaller players.

If a commitment mechanism is required, Enviromena supports WACM1 as a more proportionate and balanced approach. It provides a financial signal without introducing the same level of risk or market distortion as the OP.

Q1. Do you agree with our minded-to position to approve the Original Proposal of CMP448?

We do not support the minded-to position to approve the OP of CMP448. While we recognise the importance of improving queue management and incentivising timely progression of projects, we believe the OP introduces disproportionate risks and costs, particularly for smaller developers with projects connecting at the distribution level who have less financial capital to provide the upfront capital associated with the PCF for projects in such an early stage of development.

Competitive Disadvantage and Disproportionate Impact

Enviromena believes that the PCF will introduce a competitive disadvantage and disproportionate Impact on smaller developers. The requirement to secure between £2,500/MW and £10,000/MW for every generation and storage project that has not yet submitted planning permission, including DNO-connected projects, creates a significant financial barrier to otherwise commercially viable projects.

This is especially problematic for solar and energy storage developers, who typically have much lower development expenditure per MW. The PCF represents a disproportionately high share of total development expenditure for these technologies. Smaller or less well-capitalised developers may struggle to raise the necessary financing at the early stages of development. This risks reducing market diversity and favouring larger incumbent developers with stronger balance sheets.

The result is a competitive disadvantage that undermines the intent of CP30 and the broader goals of a fair, inclusive, just energy transition.

Behavioural Incentives and Unintended Consequences

Enviromena also believes this will change behavioural incentives with significant unintended consequences. While the PCF is intended to encourage timely viability assessments, it may also lead to several unintended and counterproductive behaviours, such as premature project cancellations. Developers may be forced to cancel projects that are otherwise viable but cannot yet meet planning milestones due to external factors such as local authority delays, land access issues or regulatory uncertainty.

To reduce PCF exposure, developers may favour a shift toward smaller projects MW scale projects, which could lead to suboptimal use of network capacity and planning resources.

Developers may seek to delay applying for a Gate 2 offer until after planning is submitted, which could reduce transparency and hinder network planning.

To avoid the PCF, developers may submit planning applications prematurely or with insufficient detail, solely to meet the M1 milestone and trigger a refund. This could increase pressure on the Town and Country Planning system and reduce the overall quality of applications.

We do not believe that the PCF, as proposed, is the appropriate mechanism for managing the queue. The current proposal introduces a blunt financial instrument that risks distorting developer behaviour and penalising viable projects. Moreover, the Impact Assessment accompanying the consultation is unbalanced. It focuses heavily on the potential benefits of the PCF but does not adequately assess the risks, costs, or unintended consequences of the process itself, such as:

- Quantify the financial burden on developers
- Assess the impact on the planning system from a surge in low-quality or premature applications.
- Consider the anti-competitive effects on smaller developers

Alternative Support: WACM1

If a form of project commitment fee is deemed necessary, Enviromena would support WACM1 as a more proportionate and balanced approach. WACM1 significantly reduces the PCF value and introduces a grace period, which would help mitigate the most severe impacts on smaller developers and early-stage projects while still providing a signal to encourage project progression.

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?

Enviromena raises several concerns about the robustness and balance of the Impact Assessment supporting CMP448, particularly regarding its assumptions, modelling approach

Inappropriate Use of Real Option Analysis

The Impact Assessment relies heavily on a Real Option analysis to justify the PCF value. While this method provides a structured way to estimate the value of delaying a decision, it is not well-suited to the realities of project development.

Developers must make go/no-go decisions based on planning, land access, and grid milestones not continuous financial optimisation. Projects may continue with negative NPV due to sunk costs, strategic positioning, or expectations of future policy support or changes. Conversely, projects may terminate for reasons unrelated to NPV reason such as landowner withdrawal, permitting delays, or regulatory uncertainty or changes.

The model assumes project value is based solely on discounted cash flow, ignoring how value increases as key milestones (e.g. planning, land rights, grid offer) are achieved.

A more appropriate framework would be game theory, which better captures how developers respond to risk, competition, and policy signals. From a game-theoretic perspective, the PCF increases the perceived risk of early-stage investment. As a result, capital may be diverted to less risky jurisdictions or technologies, undermining the UK's clean energy deployment goals.

Enviromena would urge Ofgem to consider:

Case studies showing how debt financing works in practice for early-stage projects. Most developers cannot raise debt at this stage, and equity financing is expensive and dilutive. The chilling effect on investment, If the PCF is activated, developers may be unable or unwilling to raise capital for new projects, especially in the absence of planning consent. This could significantly reduce the pipeline of viable projects, particularly from smaller or newer market entrants.

Planning System Impacts and Anti-Competitive Outcomes

The Impact Assessment does not consider the costs and risks associated with submitting planning applications, which are substantial, particularly for projects in the Town and Country Planning regime. These costs are front-loaded and non-refundable, and the risk of refusal is material. By incentivising developers to submit planning applications prematurely (to avoid the PCF), the policy may overburden local planning authorities with speculative or low-quality applications. Further distorting developer behaviour, encouraging planning submissions before projects are ready. Creating an anti-competitive outcomes, as only developers with sufficient capital to absorb planning and PCF costs will be able to participate in the connections process.

Conclusion

We urge Ofgem to reconsider its minded-to position and instead support a more proportionate and targeted approach to queue management. If a commitment mechanism is required, we believe **WACM1** offers a more balanced solution that avoids the most severe unintended consequences of the Original Proposal.

Yours sincerely,

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