

Ofgem Electricity Connections Team
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Sent by email to: connections@ofgem.gov.uk

Ørsted response to Ofgem's minded-to position to approve the Original Proposal of CUSC code modification CMP448

03 November 2025

Our ref. PCF Consultation

Dear Electricity Connections Team,

The Ørsted vision is a world that runs entirely on green energy. Ørsted develops, constructs, and operates offshore and onshore wind farms, solar farms, energy storage facilities, renewable hydrogen and green fuels facilities, and bioenergy plants. Ørsted is the largest offshore wind farm developer, Generator and owner in the UK and employs over 1,400 direct employees in the UK and tens of thousands more in our supply chain.

Ørsted welcomes the opportunity to contribute to Ofgem's minded-to position to approve the Original Proposal of CUSC code modification CMP448. Ørsted has engaged in depth with the National Energy System Operator (NESO) during the development of the progression commitment fee (PCF). While we appreciate that reforms to the grid connections process are required to ensure the future system is truly fit for purpose, we have serious concerns with the introduction of the PCF. Our views are detailed below.

Ørsted Response

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

AND

Question Two: 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?

Ørsted does not agree with the minded-to position set out by Ofgem. We believe the proposal could negatively impact delivery of Clean Power 2030 (CP2030) and will damage investor confidence. While Ofgem note the "predictability" of the PCF as a positive factor, we don't believe this outweighs the substantial risk to projects

in development. A significant level of additional financial exposure will need to be factored in, at a stage in the development process where projects are still susceptible to change for reasons not fully within their control, for example, as a result of pre-planning surveys.

With the PCF applying to *reductions* in capacity – and therefore going beyond the scope of full terminations – in tandem with stricter rules on project changes (for example, NESO's 50% red line boundary change rule), we believe a large number of projects will find themselves at least partially paying the PCF if it is activated. Therefore, we believe this will lead developers to either 'baking in' these costs – which could lead to higher CfD prices, which will ultimately be passed through to consumers – or engaging with the grid process at a later stage when the project is more 'certain', which could lead to delays in network build and ultimately put CP2030 targets at risk.

Analysis, impact assessment and timing

In terms of the analysis that is informing the decision-making process, we don't believe it's the correct approach is to assume the impact will be positive or neutral in the absence of data. While we appreciate that Ofgem and NESO have undertaken this impact assessment with the best data they have available, we have seen very limited evidence that the proposal will deliver the benefits that have been assumed (but not proven or justified).

In particular, we would like to challenge the assumption that the PCF would lead to earlier connection dates, as projects exiting the queue due to unviability may not be replaced on a like-by-like basis. New projects entering the queue will have to wait until they are sufficiently progressed to enter the queue, wait for an application window to be run, as well as wait for network operators to undertake reinforcement and individual connection works – all of which will take time.

In addition, while Ofgem notes that the 6-month uplift of the PCF "works well with the timing of gated application windows and has the potential to ensure a more efficient replacement of projects", we would note that the 'replacement' of projects is likely to be much more complex in practice, and that windows are not guaranteed to run every 6 months – as recently evidenced by NESO's Connections Reform webinar (30/10), where they noted they were unsure if the first CMP434 window could be run *even in* Q2 2026. It could therefore take over a year for the first window to open for new applications following the Gate 2 to Whole Queue exercise.

Practical impact

Although some projects do have low, or in some cases no, liabilities shortly after accepting offers, many projects already face high securities and liabilities upon acceptance. For these, there will be no 'offset' between the PCF and liabilities; the PCF will be an additional financial burden placed on projects and can become an undue barrier to entry, potentially creating a postcode lottery for projects. In addition, the significant financial commitment associated with Final Sums was one of the justifications to not apply the PCF to demand users; we believe this same

argument should apply to generation projects which face high securities and liabilities in the early stages.

Furthermore, the Original Proposal (nor the WACMs) does not consider instances where the developer cannot meaningfully assess their project viability due to issues outside of their control. For example, this could include projects that are due to connect to new substations with unknown locations, or those that are awaiting Distribution Network Operator (DNO) Variations for “additional works” and costs that may not be identified for several years after the initial offer. These types of clauses have become increasingly common in grid offers, and we don’t believe it’s appropriate for these types of projects to be subject to additional financial exposure when they cannot reasonably assess their project viability; these projects may instead be forced to leave the queue, thus negatively impacting competition.

Governance and Trigger threshold

While in principle we agree with the governance structure proposed for CMP448, we strongly urge both NESO and Ofgem to ensure that a reasonable level of transparency is accounted for within the process. In our view, a key issue with the Trigger Threshold of 6.5GW is that it is not linked to the number of projects and instead focuses on aggregates, providing developers with very limited sight as to when the fee may be triggered.

In the minded-to decision and impact assessment, Ofgem appears to use “projects” and “capacity” interchangeably when discussing the Trigger Threshold. However, it is important to note there is a very clear distinction between the two and we do not feel it is appropriate to base queue health solely on cumulative capacity. Currently, the termination of only the two largest-rated projects on the TEC Register would be enough to meet the threshold; it would be unreasonable to suggest that the termination of two projects would be an indication of an ‘unhealthy’ queue.

As a further point, further clarity is needed on how this would factor into NESO and Ofgem’s decision on whether to activate the PCF. For example, whether there are a ‘number’ of projects that would indicate an issue, as well as whether there will be any transparency in conducting the process. We understand there will only be one opportunity to activate the PCF (if the Threshold is met) in the initial five-year period; Ørsted is concerned that it could be triggered regardless of the number of projects counting towards it and would create an additional, unnecessary, financial burden to developers.

Finally, while we appreciate that Ofgem will undertake monitoring of the impact of the PCF when activated, we believe that doing this after five years seems far too late to allow for any “course correcting” for CP2030. We believe monitoring must be done much sooner, more frequently, and with an appropriate level of transparency. We note that even if the PCF creates a significant and detrimental impact on the queue, there is no “kill switch” to de-activate it. This process could only be undertaken by amendments to the Connection and Use of System Agreement (CUSC) and would therefore require a Code Modification in order to be enacted.

This could take a significant amount of time and therefore leave developers exposed to higher costs than necessary.

If you would like to discuss any of these concerns further, please feel free to reach out to me at [REDACTED]

Yours sincerely,

[REDACTED]

Senior Regulatory Affairs Advisor
Ørsted UK