
CMP448 – Progression Commitment Fee- CSE Response to Consultation

From [REDACTED]
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To Connections <connections@ofgem.gov.uk>

Hi Connections Team,

We have reviewed NESO's current proposal for CMP448, which introduces a PCF for projects that have accepted a Gate 2 connection offer but have not yet passed Milestone M1 (initiation of planning consent). We understand that this fee is intended to incentivise developers to assess project viability and withdraw from the connection process if necessary, rather than allowing projects to become stalled. We also recognise the benefits of this proposal in enabling network companies to develop their systems efficiently and economically, based on appropriate signals from the connection process.

However, we are concerned about the proposal being passed in its current state. We'd like to ask that Ofgem and NESO thoroughly review the potential impacts of this proposal, as outlined below, to ensure proper consultation.

- **Disproportionate effect on specific project types**
 - The flat £/MW fee seems to be a **one-size-fits-all** structure, which is not the case, and can penalise small (distribution) and large capital projects differently. This doesn't ensure a fair and consistent approach being applied across the board. Certain projects require longer planning timelines (M1) and can be discriminated against—contrary to Ofgem's principles of proportionality and non-discrimination under the Electricity Act 1989.
 - Developers would be financially exposed as they would need to secure £2,500-£10,000 for every project that is not submitted for planning.
- **Competitive Disadvantage:**
 - Developers would face high security requirements for any new generation and energy storage projects connecting to distribution or transmission systems.
 - Higher relative impact on Solar and Energy Storage due to much lower DEVEX.
 - Risk of reduced competitiveness vs. larger, well-capitalised firms
- **Questionable effectiveness**
 - The PCF assumes that financial pressure will accelerate project progress — but many delays are caused by external dependencies (delays with EIA, planning surveys, and incompatible LPAS).
 - There is no mechanism put in place under this framework to allow for the above delays, and mitigation needs to be put in place for events such as force majeure and not developers' inactivity.

- Smaller developers may leave early due to the costs, leading to **market concentration**.
- **Alternative mechanisms are available under WACM consultations.**
 - The queue management reforms from Milestones 1 and 2 already enable the termination of inactive projects.
 - The PCF duplicates these controls and may add unnecessary administrative complexity without providing significant benefits.
- **Misalignment with investment certainty**
 - The policy causes retrospective uncertainty: developers who accepted connection offers face new financial liabilities.
 - This could breach Ofgem's "regulatory stability" duty and undermine investor confidence in the UK energy transition.

We strongly believe that the proposed fee structure risks undermining the very investments required to achieve the UK's **net-zero and energy security** objectives.

We urge Ofgem to **delay approving** CMP448 until an impact assessment and consultation are carried out on the proportionality, technology neutrality, and investor impact of the proposed framework, as outlined above. We are also concerned that this is happening rather prematurely, as NESO is delaying the current process so we can first understand the new reformed queue and determine the threshold at which it is triggered, which currently needs to be reviewed.

We will be happy to provide Ofgem with case studies on how debt financing functions and why developers will be unable to raise debt to pay the PCF, as well as how raising equity could diminish the incentive for companies to develop new renewable energy projects.

If you have any questions, please don't hesitate to let me know.

Many thanks,

[Redacted signature]

Head of Grid



+447585568711

[Redacted address line]

8 Devonshire Square, London EC2M 4PL

www.ClearstoneEnergy.com