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3 November 2025

Dear Neal,

**CUSC CMP448 consultation: Introducing a Progression Commitment Fee (PCF) to the Gate 2 Connections Queue**

This response to Ofgem's minded-to consultation on the introduction of a Progression Commitment Fee (PCF) is on behalf of SSE's Energy Businesses.

We have continued to support the long-term aim of connections reform, recognising the overall ambition and need to ensure both project developers and networks have clarity on what projects are needed to deliver GB's clean power targets, culminating in a reformed queue that enables projects to progress and connect.

We understand the rationale for the proposed PCF and support, in principle, a financial incentive that encourages project developers to make timely decisions on the viability of their projects and place in the queue. However, our reservations on introducing the PCF at this time centre on three key aspects. These are further expanded in the accompanying Annex.

1. As proposed, the PCF fails to target those projects that are responsible for triggering the PCF, i.e. those that display the unwanted behaviour (and leave the queue). Instead, it lands on those project developers that remain in the queue and potentially has the greatest impact on those developers that are striving to deliver genuine but complex projects, or that are least able to shoulder the additional financial exposure.
2. The current asymmetry between project developers and network owners. In the absence of any follow-up proposals to Ofgem's end-to-end review of the regulatory framework, there is a concern that project developers are being asked to commit to very rigorous and strict timelines with increasing financial exposure / cost without assurances that the same is being asked of network companies.
3. The impact of the delay in issuing Gate 2 offers. Since the start of this year, project developers have been unable to engage with NESO on business-as-usual contract management. As a result, it stands to reason that developers are sitting on a backlog of contractual changes. NESO's recent extension to its G2WQ timetable has exacerbated this. We understand this contract management 'backlog' will not be resolved in the 3 months afforded to project developers to accept their Gate 2 offers. As such, this extended pause

on business-as-usual activities will contribute to a higher than anticipated attrition rate of Gate 2 offers. By exposing projects that remain in the queue to the PCF, we are concerned this becomes an ill-timed 'stick' rather than the 'carrot' that is needed at this critical juncture.

Arguably, having identified the projects that are most needed and ready to deliver, we believe the framework needs to foster projects that pass Gate 2 and give them the best chance to succeed. In practice, we suspect this requires a framework that encourages parties to work closely and honestly and has the ability to accommodate the level of flexibility that will be required to deliver the pace and scale of network and developer build necessary to deliver CP30.

Therefore, on reflection, we believe the current baseline (rather than the Original Proposal or either of the WACMs presented) should be the preferred option at this time.

However, if Ofgem takes the decision to approve CMP448, prior to giving its agreement to activate the PCF, we believe it is imperative that Ofgem reflects on the above concerns and gives industry the necessary assurances on why the PCF is the right metric to introduce at that time. As part of this, we believe it would be prudent for Ofgem to consult with stakeholders.

We hope the above reflections and Annex are helpful but, as always, if you would like to discuss any aspect of this response (or connections reform), please do not hesitate to get in touch.

Yours sincerely,

  
Group Regulation

## ANNEX

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

Whilst we understand the rationale for the PCF, we are not clear that the PCF is the right metric at this time.

In part, this is driven by the extended period of time (potentially up to 20 months) that projects have been unable to engage with NESO on business-as-usual contract management and update their contractual agreements accordingly. Therefore, following acceptance of Gate 2 offers, it is likely there will be a round of amendments needed to Gate 2 contracts to ensure they are current and reflect the many months of 'housekeeping' changes that have not been possible during the 'pause' and subsequent G2WQ process.

Similarly, NESO/TO-induced contract changes as a result of queue reform may result in projects having to restart their planning process thereby prolonging project developers' exposure to the PCF. Depending on the extent of contractual changes and NESO's handling of these, this could result in higher than anticipated attrition rates of Gate 2 offers after Gate 2 acceptance.

Arguably, both of these points would suggest it is inappropriate to introduce a further hurdle to Gate 2 projects at this time.

Building on this, we believe it is perverse that those projects that remain in the queue (and have done nothing to deserve the additional financial exposure) are exposed to the PCF. Yet, those that are responsible for triggering the Activation threshold (and leaving the queue) are not exposed to the PCF.

Moreover, for those projects that remain in the queue, their exposure to the PCF is dependent on whether those that left acted prudently (and self-selected out of the queue) or whether they waited to fail Queue Management Milestone 1 (QM M1). Those that remain in the queue cannot control or influence this but are nonetheless impacted.

Also, because of the cumulative approach to the trigger, it means the PCF is more liable to penalise those that take all steps to try to achieve QM M1 and, as a result, 'hang on' to their Gate 2 offer for longer relative to projects that more casually accept a Gate 2 offer without any real commitment to deliver, safe in the knowledge that they can buy themselves time and still surrender their Gate 2 offer without consequence providing they do so before the PCF is activated.

Finally, in the absence of an update from Ofgem on its End-to-End Review, there remain concerns around just how one-sided this is given the additional financial exposure the PCF places on developers. It is key that there is a proportionate and complementary regulatory framework that puts appropriate pressure on network companies to produce accurate offers and give developers the necessary confidence that networks are progressing with works in a timely manner commensurate with meeting contracted connection dates.

As set out in our covering letter, we suspect what is really needed once projects are selected as part of the Gate 2 process is a more supportive and cooperative environment that recognises the realities of delivering projects (both from a developer and network perspective). Delivering CP30 will require a coordinated response from all parties and we suspect increasing the rigidity of the framework and parties' exposure to it at this time is unlikely to be the best next step.

For the avoidance of doubt, we believe retaining the current baseline is the preferred option at this time. However, if Ofgem decides to implement CMP448 (Original or WACM 1 or 2), we believe it should give assurances that in any decision to activate the PCF, Ofgem is explicit why activating the PCF is the right metric at that time to resolve queue concerns. We propose Ofgem consults with stakeholders as part of the activation process.

***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.***

Please refer to our response to Q1 above.