

Connect Update: Demand Connections Reform

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This up-date provides information on the work we are doing on the Connect pillar of demand connections reform. The Connect pillar aims to develop new approaches and connection arrangements, to accelerate and increase the number of connections, and maintain a secure system.

It includes detail on how we are going to enable greater self-build and ownership and self-build and transfer of high voltage assets, including our plans to consult on these measures in the autumn.

It also sets out details of the measures we are considering to maintain a secure and efficient electricity system as more large-scale demand customers, such as data centres, connect.

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1. Introduction

Background

- 1.1 As set out in our February [Call for Input](#), demand connections reform aims to address three interrelated challenges:
1. the demand queue is large and growing and includes a significant number of projects that will likely not progress to connection
 2. the demand queue contains a significant number of well-progressed projects that are unable to connect quickly, due both to the time required for network or generation build – which is a key source of delay – and to the presence of non-viable projects acting as blockers
 3. there are no mechanisms to prioritise strategically important demand projects
- 1.2 Our objective is to reform the demand connections process so that viable projects can secure timely connections and strategic projects can be prioritised, delivering benefits for consumers and supporting economic growth while maintaining system security and operational integrity.
- 1.3 This is a multifaceted challenge, driven by the rapid growth of data centre demand, interacting with existing constraints on network capacity and supply chains. It risks delaying connections for other demand projects that are critical for decarbonisation and economic growth. This is not a challenge unique to Great Britain's (GB's) energy system - similar pressures are emerging internationally.
- 1.4 Data centres must be central to any solutions we implement, given the scale and pace of recent demand growth, the significant impact their connection requirements can have on the system, and the distinct commercial characteristics of their development. Measures implemented for data centres may also be applicable to other types of demand.
- 1.5 Working collaboratively with government and the National Energy System Operator (NESO), we are committed to delivering demand connections reform around three pillars:
- **Curate** focuses on introducing new or strengthened queue membership criteria where needed to ensure viable projects progress to connection
 - **Plan**, led by government, supports government-led prioritisation of strategic projects and development of a strategic plan for data centres
 - **Connect** focuses on developing new approaches and connection arrangements, to accelerate and increase the number of connections, and maintain a secure system

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- 1.6 In March 2026, government [consulted on several proposals](#), including the use of new legal powers to identify strategically important demand projects and whether, following implementation of queue management reforms, a strategically aligned process should be introduced for data centre connections. They are also leading on one of the new approaches under the Connect pillar, specifically class exemptions.
- 1.7 NESO are leading on the analysis of the system operation requirements which will inform the work across all three pillars. They are also leading on high voltage connection offers to demand users.

Focus of this update

- 1.8 This update focuses on the Connect pillar. It sets out further details on the context and aims of the proposals, progress to date, responses received from stakeholder engagement, and how that feedback is being incorporated into the project outcomes.
- 1.9 We are progressing work under two workstreams: Accelerate and Operate.
- **Connect Accelerate** is considering reform to allow for self-build and ownership, and self-build and transfer of high voltage assets
 - **Connect Operate** is considering contracting arrangements that may allow for increased capacity of demand to connect, requirements to minimise any negative impact of large demand on the grid and ways for large demand projects to have a positive impact on the grid
- 1.10 Initiatives under Connect Accelerate will be relevant to all large demand, as well as generation and storage. Connect Operate will consider the specific operational impact of data centres and other large demand and, where relevant, regulatory policy relating specifically to data centres may be considered.

Key considerations

- 1.11 We carry out our regulatory functions in line with our principal objective: to protect the interests of current and future energy consumers, including their interests in security of supply and the UK's net zero targets. We also have broader statutory duties, such as promoting economic growth and aligning with strategic priorities set out in the Strategy and Policy Statement.
- 1.12 Therefore, a key consideration across all our reforms is the cost impact. We want to achieve a fair allocation of the cost of connecting new large-scale demand, balancing the needs of connecting customers, with the needs of the wider consumer base. We also want to reduce the overall cost wherever possible, benefiting both connecting customers and other consumers.

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1.13 We are also aware of an increase in applications for connection to the gas network, which we understand to be principally driven by data centres aiming to achieve earlier operation, in advance of connection to the electricity network. Data we have collected from the gas networks suggests around 117 active cases, including enquiries through to formal applications, primarily on the distribution network. We are considering the interactions, risk, and opportunities of this behaviour in line with our principal objective and statutory duties.

Wider work

1.14 The initiatives being considered under the Connect pillar are part of a wider programme of work which aims to provide projects with timely, cost-effective connections. This includes:

- significant network investment being delivered under [RIIO-3](#)
- new connections incentive introduced in RIIO-ET3 to encourage Transmission Owners to deliver quicker connections
- developing a [Competitively Appointed Transmission Owner \(CATO\)](#) regime to relieve the constraints in the network

1.15 It also includes other connections review and reform, such as:

- NESO's grid connections reform which has tightened requirements on demonstrating genuine readiness and need for grid connection, helping to clear speculative projects from the delivery pipeline
- [Ofgem's connections end-to-end review](#) of the regulatory framework governing electricity connections in Great Britain which is advancing a package of changes to drive outcomes which are relevant to demand connections reform, including but not limited to: visibility of connections data, standards of service, requirements to meet connection dates, quality of offers and ambition of offers
- [Reformed National Pricing](#) which aims to reduce system costs and improve efficiency, reduce costly network constraints, and strengthen day-to-day system operation

1.16 We recognise there is a complex landscape of policy and regulatory change across demand connections and related work areas. Stakeholders have shared feedback that they would welcome greater clarity on how various reforms interlink and which organisations lead on which areas. We will create and share with stakeholders a diagram to help navigate this landscape and help inform stakeholder engagement.

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Stakeholder engagement

- 1.17 Demand connections reforms are addressing a complex, multifaceted challenge that requires significant collaboration across stakeholders to deliver change at pace.
- 1.18 In November 2025, Ofgem published a [demand connections update letter](#) setting out our intention to implement a targeted response to address the queue. In February 2026, Ofgem issued a [Call for Input](#), providing further details on the Curate, Plan and Connect strategy for reform and requesting stakeholder feedback.
- 1.19 We received 120 responses to our Call for Input, from a range of stakeholders across industry. Alongside this publication, Ofgem has published a [summary of responses to the Call for Input](#).

Advisory groups

- 1.20 The Connect Task and Finish Group was set up in January 2026 and consists of representatives from government, Ofgem, NESO, network companies, trade associations and consultancies. This group, which meets monthly, is a forum for consultation and discussion on the Connect pillar of work. The Connect Task and Finish Group helped define the scope, objectives and measures of success for the Connect workstreams. We will review the composition and terms of reference for this group over the summer, together with government and NESO.
- 1.21 The [AI Energy Council](#) was established by Department for Science, Innovation and Technology (DSIT) and the Department for Energy Security and Net Zero (DESNZ) to explore how government AI ambitions can be powered with responsible, clean energy sources, and will promote the safe and secure adoption of AI within the energy system. An outcome of this forum was a recommendation for the establishment of a working group to take forward technical and policy work on data centre flexibility.
- 1.22 The Flex Technical Taskforce will be established as a stakeholder working group to address this need and will be progressed via Connect Operate. This group aims to understand the degree of flexibility required by the system to increase the capacity of demand that can connect, and to understand the degree to which data centres may be able to operate flexibly. The Flex Technical Taskforce will report findings to the AI Energy Council and will guide policy and regulatory change being progressed in Connect Operate.
- 1.23 As mentioned above, the Connect Pillar consists of Accelerate and Operate workstreams. These will be discussed in turn below.

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2. Accelerate

We are going to be making changes to make it easier for people to self-build and own high voltage assets and to self-build and transfer high voltage assets to the network company. We are doing this to increase the number of physical grid connections for demand projects, respond to market demand, increase customer choice and enable some projects to benefit from quicker and/or cheaper connections.

Introduction

- 2.1 In our Call for Input, we said that we consider there is benefit in enabling demand customers to have greater ability to self-build. We identified several priorities in relation to enabling greater self-build, ownership and operation of high voltage assets. We invited feedback on those priorities. Stakeholder responses are summarised in ‘Summary of Call for Input Responses: Demand Connections Reform’ published alongside this update.
- 2.2 The purpose of this update is to set out our latest thinking on these priority areas, including how we have considered the feedback provided and what we are going to do next. These measures relate only to the electricity transmission system.

Self-build and ownership

Outcomes we want to achieve

- 2.3 Responses to our Call for Input show that there is strong demand for greater self-build and ownership of high-voltage assets. Respondents to our Call for Input and feedback in subsequent stakeholder engagement note several benefits which could be achieved through greater self-build and ownership, including:
- giving developers greater control over delivery
 - enabling quicker connections
 - enabling cheaper connections
 - relieving the pressure on Transmission Owners (TOs) so that they can focus on addressing the constraints on the existing network
- 2.4 We want to expand the capacity of the system to connect demand projects and enable the market demand for greater self-build and ownership of high voltage assets to contribute to that outcome. In doing so we want to ensure that:
- the risks to the wider system, such as interoperability and interface risks, are appropriately managed
 - customers connected to self-build networks receive a good service and
 - consumers connected to the wider network do not face higher costs as a result

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- 2.5 Our Call for Input identified three ways we could enable greater self-build and ownership of high voltage assets:
1. clarity on the legal requirements
 2. high voltage connection offers for demand customers
 3. expanding the range of options for ownership of high voltage assets

How we can achieve these outcomes

- 2.6 Having considered responses to our Call for Input and the information we received from additional stakeholder engagement, including the Connect Task and Finish Group, we are prioritising work to develop an independent transmission owner (iTO) licence.
- 2.7 The remainder of this section sets out the policy development we have undertaken since our Call for Input, including our work with government and NESO on the considerations around a class exemption.

Clarity on the legal requirements

- 2.8 Stakeholders have told us that lack of clarity on the legal requirements for self-build and ownership of high-voltage assets is a barrier to projects being developed. In the Call for Input, we said “one of the ways in which we might seek to resolve this is to provide clarification on our interpretation of the [Electricity Act 1989](#)”.
- 2.9 We have explored this option further to understand what developers need from this clarification. From the feedback we received it became clear that a clarification on our interpretation of the Electricity Act would not be able to effectively address this barrier because:
- a high level of certainty is needed for a project to be bankable/investable and any clarification we give is unlikely to provide the certainty required
 - projects will vary and it is difficult to provide an interpretation of “wholly and mainly” that will account for the circumstances of every current and future project
- 2.10 We therefore reconsidered how we could achieve the desired outcome of providing certainty to developers. We concluded that expanding the range of options available to own high-voltage assets is a better approach, as this will give projects greater certainty and offer them a proportionate route to compliance.

High-voltage connection offers for demand customers

- 2.11 Developers who want to self-build and own high voltage transmission assets are likely to require a high voltage connection to the existing transmission system because they will step-down the voltage using their own substation.

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- 2.12 Traditionally large-scale demand users have only been offered a low voltage connection because it was assumed they will need the transmission owner to step down the voltage for them. However, considering the size of some data centres being developed in Great Britain, it may be more appropriate for certain projects to connect directly at high voltage. Considering this development and the increased interest in developer self-build and ownership of high voltage assets, this approach to demand connection offers needs to change.
- 2.13 Demand customers in Scotland are already being offered high voltage connections with the caveat that it is for the connecting customer to ensure that they meet all the legal requirements. However, this is not the case in England and Wales.
- 2.14 We are therefore working with National Grid Electricity Transmission (NGET) in England and Wales and NESO to give demand customers the option of requesting a high voltage connection. [NESO recently reached out to Phase 2 Gate 2 to Whole Queue demand customers](#) in NGET's area to invite interest in a potential high-voltage connection offer and we expect work to continue to progress on this.

Expanding the range of options for ownership of high-voltage assets

- 2.15 Projects wishing to own high-voltage assets can currently apply for a transmission licence or they can apply to the Secretary of State for an exemption from the requirement to hold a licence.
- 2.16 Due to the increased demand for self-build and ownership to connect new large-scale users to the existing transmission system, we considered if additional options are needed to deliver the outcomes we want to achieve.
- 2.17 Most respondents to our Call for Input supported the introduction of two additional options for ownership of high-voltage assets, as did most of the members of the Connect Task and Finish Group. These two additional options are:
1. Class exemption
 2. Independent Transmission Owner licence (iTO)
- 2.18 We think both options could play a role in enabling greater self-build and ownership as they are suitable for different kinds of projects. We therefore worked with the Connect Task and Finish Group to develop a set of project archetypes to better understand which option is suitable for each kind of project. This then informs the detailed design of the options, the outcomes they achieve, and the risks that need mitigated. As projects change over time, so could the option that best applies to them. These project archetypes are set out in the [Annex](#).

Class exemption

- 2.19 The design and scope of a class exemption would be a decision for government.

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- 2.20 Alongside NESO and members of the Connect Task and Finish Group, we have been working with government to consider which project archetypes might be suitable for a class exemption, and how risks can be proportionately mitigated, so that system security and resilience is maintained. An exemption might also be needed to allow demand customers to undertake commissioning activities for self-build and transfer.
- 2.21 We will continue to work with government and NESO on this proposal, including considering the links between this and the development of an independent transmission owner licence. We note the feedback from the Connect Task and Finish group that it is not a binary choice between a class exemption and an iTO licence and in their view having both could add value. We also note the concerns expressed by some members of the group and other stakeholders on this proposal.
- 2.22 Therefore, we will focus on the outcomes we want to achieve for self-build and ownership, the risks that need mitigated, and consider the best way to achieve those for each project archetype. This includes working with government and NESO to address the concerns raised on the class exemption if this is developed.

Independent transmission owner licence

- 2.23 The standard transmission licence conditions were drafted with large scale high-voltage networks in mind. The types of projects we now see wanting to own high-voltage assets are different – as shown by the project archetypes. While we can tailor the licence conditions to projects on a case-by-case basis, the feedback from stakeholders is that it is preferable to know early on what the requirements are. This also has the advantage of ensuring consistency and transparency.
- 2.24 Respondents to our Call for Input therefore want us to progress the work to create a standardised licence quickly, rather than viewing this as a medium-term priority. They suggested that we build on the Independent Distribution Network Owner (iDNO) licence and create an Independent Transmission Owner licence (iTO) for ownership of high-voltage (transmission) assets.
- 2.25 In the light of this feedback, we are working with the Connect Task and Finish Group and other stakeholders to consider:
- the scope of an iTO licence, including the potential interactions with the competitively appointed transmission owner (CATO) regime which might be an alternative route to deliver certain projects
 - what outcomes we want to achieve through the iTO licence
 - the risks it should mitigate
 - how we can achieve these outcomes, including considering relevant precedent such as the iDNO licence, OFTO licence and the approach taken in other countries

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Next steps

2.26 We aim to consult on our initial proposal for an iTO licence in the autumn, followed by a further consultation on the detailed licence conditions once we have decided on scope and outcomes. In advance of these consultations, we welcome stakeholder's developing thinking and analysis on:

- the scope of an iTO licence, as it relates to each project archetype set out above
- the outcomes an iTO licence should seek to achieve and the risks it should mitigate
- how we can best achieve the right outcomes and mitigate relevant risks in the conditions and regulatory design of an iTO licence

Transfer of high voltage assets

2.27 Some developers have indicated that they would like to self-build the high voltage assets between their site and the existing transmission network, but they don't want to continue to own these assets. This is because they do not see owning network assets as the core part of their business.

2.28 For low voltage assets, connecting customers can do the work themselves or use the network company. If the connecting customer does the work, the assets are transferred to the network company once the works are complete and the network company is satisfied it has been done to the required standard. This is known as 'contestable build'.

2.29 For high voltage assets contestable build is only an option in limited circumstances, for example when the connecting customer's site is within 2km of the existing transmission system and when the assets are not potentially shareable. While some information on high voltage contestable build is available on networks' websites, some organisations have suggested that greater clarity is needed early on the process, so they know what the self-build and transfer requirements are. This would allow more connecting customers to make use of this option.

2.30 In Ireland, where there has been greater self-build and transfer for over 20 years, this is an option which the majority of customers use. This indicates that there is likely to be market demand for this option and that there is potential for it to benefit a significant number of connecting customers.

2.31 As well as giving more choice to connecting customers, greater self-build and transfer could mean that some projects get a quicker and/or cheaper connection. Case studies from Ireland show that some projects there have been delivered circa 20% cheaper and 11 months faster where the work was done contestably.

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- 2.32 Whether similar benefits could be achieved in Great Britain will depend on the project in question and on the progress that Transmission Owners make on addressing constraints on the existing network. Addressing the constraints is important because the existing network needs to be able to serve the new user(s). Therefore, work on the existing network might also be needed before a project can be energised.

Outcomes we want to achieve

- 2.33 We want to enable greater self-build and transfer of high-voltage assets (contestable build), in a way which achieves what ‘good’ looks like.

What ‘good’ looks like

- 2.34 To achieve the benefits and minimise the risks associated with greater self-build and transfer, it is important that we enable this in a way which achieves what ‘good’ looks like.
- 2.35 In collaboration with the Connect Task and Finish Group we have developed our initial ideas on what ‘good’ looks like for the key areas of self-build and transfer:

Self-build assets

- right technology is used in the right place
- the required quality to ensure efficient operation
- connects safely into the grid
- Ofgem able to provide the appropriate level of scrutiny to provide confidence these outcomes will be achieved
- flexible enough to respond to future needs
- mitigates the risk of inefficient assets

Risk allocation

Risks allocated to the right party, considering:

- who can put in place the mitigation measures
- other consumers should not be disadvantaged by project’s decision to self-build and transfer rather than the TO doing the works

Cost

- at a minimum other consumers should not bear any additional costs because of the project’s decision to self-build and transfer the assets rather than the TO doing this work.

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Process

Clear, robust, quick process that gives organisations confidence to use the self-build and transfer option:

- roles and responsibilities – including role of developers/third parties (ICPs), Ofgem, NESO and TOs
- steps in the process, including what assets are contestable, build specifications/standards, the approval process etc
- deadlines for completing each step
- how disputes are resolved – and measures to reduce likelihood of dispute occurring

2.36 As part of this work, we have also explored how we might achieve what ‘good’ looks like, including:

- the use of Pre-Approval of Solutions by Engineering (PASE) to mitigate the risk of sub-standard and inefficient assets
- the process for self-build and transfer, to maximise the potential benefits and manage the key risks e.g. providing clarity on the requirements up-front and having a defect notification period
- considering how these assets would be classified for charging purposes and whether a standard price list could be needed for any assets that won’t be charged to the connecting customer

2.37 Delivering what ‘good’ looks like will help deliver the outcomes we want to achieve and help address the challenge of well-progressed projects not being able to connect quickly enough. This has the potential to benefit consumers in terms of quicker and cheaper connections as well as bringing wider system benefit through helping to alleviate delivery constraints and improving connection timelines.

How we can achieve that outcome

2.38 In our Call for Input, we said that we would work with NESO to see whether we could accelerate the changes needed to enable greater self-build and transfer using the powers under the Planning and Infrastructure Act.

2.39 We have now decided to use these powers to make the changes because this will make it easier to:

- achieve what ‘good’ looks like
- align the changes which will be needed to the licence, codes and other supporting documents

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2.40 Our decision to use the powers under the Planning and Infrastructure Act will impact on the code modifications proposed by industry to enable greater self-build and transfer (CMP414, 330, 374 and CM079). This is because we expect the proposers will withdraw these in light of our decision, as the changes made using these powers will supersede the modifications, rendering them effectively obsolete.

2.41 The work that industry has done to date on enabling greater self-build and transfer through the code modification process has been a helpful starting point for our work in this area. We welcome ongoing input on what code changes are needed to deliver what 'good' looks like. We also welcome input on what changes are needed to other documents to deliver what 'good' looks like.

Next steps

2.42 We will consult on proposed changes, including the draft modifications to the relevant codes to enable greater self-build and transfer, in the autumn.

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3. Operate

As an increasing number of large demand assets - principally data centres - connect to the system, we want to ensure an efficient and secure network is maintained. We will review standard terms of connection for large demand users, to ensure they work for both the system operator and for the customer. For self-build assets, we are considering the technical standards required to maintain network integrity for all.

Introduction

3.1 In our Call for Input, we noted the opportunity for large demand customers to contribute towards consumer-led flexibility, which may in turn enable faster connections. We also noted the need to maintain a secure system for all consumers in the context of increasingly large loads, and whether measures such as flexibility, or alternative connection agreements, should be applied as conditions of connection for data centres in order to manage their increasing number and scale on the system.

Progress update

3.2 Together with government and NESO we have been progressing work to understand the potential measures that can enable faster connections while maintaining a secure system for all. In doing so we consider there is the trilemma of risk and opportunity that needs to be collectively understood between:

- system needs – which are temporally and spatially variable, and where risk is ultimately borne by the consumer
- data centre operational needs – which can be site and business model specific
- data centre investability needs – recognising that additional requirements placed on data centres may create investment risk

3.3 **System needs:** as we transition to an increasingly renewables-led system, flexibility and ability to balance supply and demand across the system is increasingly important to achieve a clean, low-cost system. These system needs are variable across a number of factors including physical characteristics of the grid, local supply and demand, system-wide supply and demand. This also changes across the year and in response to different weather conditions. The significant size of data centres now being developed, and their load profile, heightens these impacts. Understanding these factors enables specific flexibility solutions to be defined that will vary depending on the type of data centre and location on the system.

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- 3.4 **Operational needs:** Data centres operationally are technologically very sophisticated. While some types of data centre may lend themselves towards flexible operation more than others, feedback from stakeholders has been that most can be designed to deliver some degree of flexible demand. We aim to work with the sector to better understand, and quantify, the extent to which different types of data centres and business models can operate with a flexible demand profile.
- 3.5 **Investability needs:** Stakeholders have identified that placing additional contractual or operational requirements on data centres represents an additional bankability and financing risk. We will work with developers to understand the level of certainty required to support investment decision-making.
- 3.6 Data centres and large demand have an opportunity to be part of the solution to a lower cost, more reliable system. We are exploring a number of measures to ensure our reforms support investment and allow greater capacity of demand to connect. Voluntary measures aim to incentivise the connecting customer to support the system need. Mandatory measures may be required as a backstop.
- 3.7 Flexibility measures being explored with government and NESO are listed here, and will be discussed in turn below:
- Alternative Connection Agreements
 - Voluntary Flex Services
 - Operational Control Measures
- 3.8 In previous publications we have referred to flexible connection agreements, and large consumer led flexibility. Stakeholder feedback has identified that these terms require further clarification to avoid ambiguity in what may be proposed. This update aims to provide greater clarity on the measures being considered, and the case for them.

Alternative Connection Agreements

- 3.9 In our Call for Input, we sought feedback on the practical blockers to the uptake of flexible, non-firm, and phased (ramped) connection agreements. We set out here some considerations and findings we have identified, and our next steps. In summary these are to continue to gather evidence and feedback on the practical blockers to the uptake of alternative connection agreements and work with network operators, developers, and wider stakeholders to:
- articulate the ‘menu’ of standard and alternative connection agreements
 - understand the opportunities, risks and trade-offs posed by potential new types of connection agreements, such as an ‘N-1 connection’

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- understand where there may be specific requirements relevant to connection to either distribution or transmission network

Clarity on connection agreements and potential blockers

- 3.10 Feedback from project developers suggests that early engagement between developers and network operators, which the connections process should allow for, does not always happen. This limits the ability to have pre-application discussions and, as a result, applicants may not be applying for the most appropriate type of connection agreement, as they are unclear on the options available and the relevant trade-offs. Themes 2 and 4 of Ofgem's ongoing [Connections End to End Review](#) deal with standards of service and the quality of offers. We will identify relevant evidence and insight to inform proposals being progressed through that review.
- 3.11 Feedback from network operators suggests that they may be reluctant to engage in discussions regarding bespoke connection solutions for a number of reasons. These include time and resource requirements due to volume of enquiries and concerns that this may be perceived discriminatory.
- 3.12 It is our view that, in principle, the current regulatory framework does not restrict network operators from considering the nuanced needs of a particular applicant or customer type. Network owners may need to adapt connection offers to meet individual applicant needs, or the needs of customer types, and are empowered to do so.
- 3.13 We will continue to gather evidence on the practical blockers and the reasons for these. We will work with network operators and stakeholders to provide greater clarity and consistency about the existing suite of standard firm and non-firm connection agreements that are available, as well as alternative agreements addressed below as relevant.

Alternative agreements

- 3.14 Data centre developers and advisory firms working with developers have identified a potential new type of non-firm connection that deviates from SQSS requirements: 'N-1 connection'. We are working with network operators to understand the technical risk and opportunity for this type of connection. We are also working with industry to understand the contractual needs in terms of investment certainty / bankability.
- 3.15 We are also exploring the uptake of phased connection agreements, whereby connection capacity increases from the initial connection capacity to the maximum connection capacity over an agreed period (typically years). This phasing aligns with typical data centre needs and business model. Phased demand capacity may support earlier connection, as connection may be possible in parallel with wider network upgrades, rather than waiting until after wider works

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are complete. We are working with industry to ensure the available connection agreements meet their needs in terms of investment certainty / bankability.

- 3.16 Clarity on phasing of network usage may also offer benefit to the system operator and network owners, as it may reduce uncertainty in grid impact assessments, wider network modelling and long-term security of supply analysis. For this reason, and to reflect the large capacity of data centres aiming to connect, we are considering options regarding mandatory disclosure of intended ramp rates and utilisation factors.
- 3.17 Non-firm connection agreements may be a route to an earlier connection date. Feedback from industry is that non-firm connections should remain voluntary, with a clear path to firm connection. Full or partial non-firm connection agreements may be a route to implementation of voluntary flex measures, as set out below.
- 3.18 We aim to provide an update on connection agreements in autumn 2026, to provide clarity on the type of connection agreements that are available and trade-offs that might be relevant for data centre demand. At this stage we anticipate this will be an update, setting out what is available under the existing policy framework. Where policy reform is required, we will set out our best view of a timescale for achieving that.

Voluntary Flex Services

- 3.19 Feedback from stakeholder engagement is that data centre's ability to operate flexibly is dependent on their use and business model. For example, an AI training data centre may be more capable of flexible operation than cloud data centres. We have also had feedback that flexible operation can be designed into the data centre as they are developed, and developers may be willing to do this if it enables earlier connection.
- 3.20 Work to identify connection and operational requirements to address risk introduced by the operation of demand on the grid continues to be progressed within the NESO-led Demand Expert Group.
- 3.21 Next steps in identifying the opportunity for voluntary flex services are as follows:
- work with the Flex Technical Taskforce to identify solutions that may be appropriate for specific types of development, considering location specific network and site challenges, which may include consideration of on-site generation
 - report back to the AI Energy Council in autumn 2026 on the opportunities, risks and blockers in provision of greater voluntary flex services from data centres as well as identify opportunities within the existing policy framework and setting out areas where policy reform may be required

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- any wider policy change required will be developed and consulted on thereafter
- while full policy implementation may not be complete in advance of the next application window, expected Q4 2026, we aim to provide clarity on the direction of policy and regulatory change by then

3.22 As well as working with the Flex Technical Taskforce, we also welcome feedback from wider industry and innovators on solutions that may be appropriate for specific types of development, recognising that they may be best placed to understand the problem and potential solutions.

3.23 Incentivising data centres to implement voluntary flex services supports the policy aims of demand connections reform, as it will reduce the system impact of data centre demand capacity and may support earlier connection. This measure aims to provide a pathway for data centres to have a positive impact on the electricity network, and support connection of a greater capacity of demand.

Operational Control Measures

3.24 There are many areas of uncertainty in forecasting and modelling of data centre demand and generation supply. Taking a highly risk averse approach to system operation will hold back the ability to connect data centre demand at pace.

3.25 Greater uptake by data centres of alternative connection agreements and voluntary flex services reduces this uncertainty by reducing their reliance and impact on the wider system. However, backstop operational control measures would also reduce this uncertainty and enable greater risk while keeping the system secure for all users.

3.26 Therefore, we are exploring whether an additional backstop operational control measure, such as mandatory curtailment, may be required to retain confidence the system can handle stress events. This is particularly relevant to data centres, as they are such a high volume, and increasingly large size load.

3.27 We note data centre operator and trade-association feedback to our Call for Input, and wider stakeholder engagement, highlighting the challenges mandatory measures present to different data centre business models and overall investability.

3.28 Equally, to the extent that we can retain confidence that the system will remain secure for all users in system stress events, we are able to take on greater risk in connecting additional volumes of data centre demand at pace.

3.29 Next steps in clarifying the requirement for operational control measures are as follows:

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- the technical requirements for any additional operational control measures are being explored with the system operator and stakeholder engagement groups
- proposed measures are subject to further study to ensure they are necessary and feasible, and to understand the potential impact - impact analysis is highly dependent on modelling assumptions and therefore analysis output will be a range for potential frequency of curtailment, rather than a fixed number and duration of event
- we will identify how these measures would be implemented if required (e.g. update to grid code or connection agreement terms)
- we expect to consult on these measures during autumn 2026, when we will provide confirmation on what, if any, mechanism is required, how it will be implemented, and any relevant assessment of impact

3.30 This measure supports the policy aim to get greater capacity of demand customers connected, allowing the system operator to make less conservative assumptions in long term security of supply analysis, as there will be a backstop operational measure in place. Greater uptake of voluntary flex services would reduce the reliance on operational control measures.

Technical Standards

3.31 Stakeholder responses were broadly positive on proposals to update technical codes and standards to maintain network integrity for all parties building and operating transmission assets, although many respondents did not express a view.

3.32 As noted in the Call for Input there are two drivers of focus in this area:

- ensuring the technical rules and standards keep pace with the changing nature of demand on the system
- enabling the expansion of self-build in line with the direction set out in the Call for Input and this update

3.33 For the specific technical requirements of data centres we will continue to support the work of the NESO convened Demand Expert Group which is considering this area in detail.

3.34 To enable the expansion of self-build our current thinking is to standardise infrastructure design and engineering principles, where possible, to ensure a future system design which prioritises economic benefit, futureproofing of assets, environmental and community considerations and regulatory clarity. We have explored expanding the use of [PASE](#) to achieve that aim as part of the Connect Task and Finish Group. PASE sets out high level design and engineering standards, and as part of network price control regulation when compliant designs are

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progressed, it allows Ofgem to have a lighter touch role in the design approval process.

3.35 Next steps in clarifying the technical standards to which self-build assets must be delivered are as follows:

- continue to engage with stakeholders and the Connect Task and Finish group to understand the required technical standards for self-build and transfer from a TO perspective, and to understand the process through which asset adoption may be delivered (where relevant)
- continue to engage with stakeholders to understand the appropriate technical standards and the proposed use of PASE as part of wider self-build and ownership and consult in autumn 2026

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4. Connect - next steps

- 4.1 We recognise for demand projects certainty about the regulatory landscape and obligations is, amongst others, an important consideration. Where consultation is planned for autumn 2026, we will aim to complete this in advance of connections window opening later in 2026. This is so that stakeholders can understand the direction of travel for our reforms. It may be the case for some priorities, if we identify the need for regulatory change this may take additional time for full implementation.
- 4.2 We will continue to engage with industry and networks via the Connect Task and Finish group and via the Flex Technical Taskforce. Industry engagement groups are expected to continue to autumn 2026, or longer if they continue to provide a useful forum to advance our reforms.
- 4.3 In advance of the formal consultations, we welcome stakeholder analysis on:
- scope of an iTO licence, as it relates to each project archetype set out in the [Annex](#)
 - the outcomes an iTO licence should seek to achieve and the risks it should mitigate
 - how we can best achieve the right outcomes and mitigate relevant risks in the conditions and regulatory design of an iTO licence
 - what code changes/changes to other documents are needed to deliver what ‘good’ looks like for self-build and transfer
 - the opportunity for measures proposed under Connect Operate to support data centre development; where a proposed measure would present an investment risk, we welcome feedback on what would be required to mitigate that risk, in a manner that recognises the problem we are aiming to solve
- 4.4 There is strong and wide stakeholder interest in the issues raised in this update. Several groups across the energy industry, demand sectors, and academia are looking at these collective, global challenges. Our aim is to continue to provide transparency where we can on the issues we are addressing and our direction of travel to inform wider stakeholder priorities.

Summary of next steps

- 4.5 Throughout this up-date we have outlined our next steps of the Connect work, namely we will:
- create and share with stakeholders a diagram to help navigate this landscape and help inform stakeholder engagement

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- consult on proposed changes, including the draft modifications to the relevant codes to enable greater self-build and transfer, in the autumn
- aim to consult on our initial proposal for an iTO licence in the autumn, followed by a further consultation on the detailed licence conditions once we have decided on scope and outcomes
- work with network operators, developers, and wider stakeholders to understand the type of connection agreements that are available and provide information to support informed pre-application decision making and we aim to update on this in autumn 2026
- establish the Flex Technical Taskforce in late June 2026, to inform the policy detail towards delivery of data centre flexibility
- the Flex Technical Taskforce will feed back to the AI Energy Council in autumn 2026 and any recommended policy reform will be defined thereafter
- develop, with NESO, the requirements and process for any necessary operational control measures, to support consultation, as required, in autumn 2026

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5. Annex: Project Archetypes

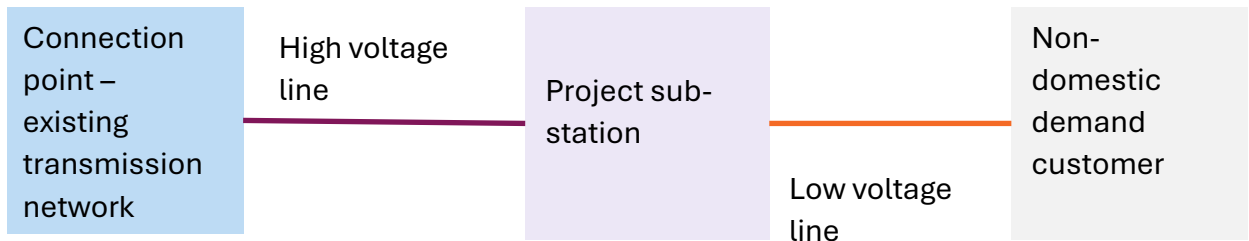
5.1 We have worked with the Connect Task and Finish Group to develop project archetypes to better understand which option for owning high voltage assets is suitable for each kind of project.

Archetype one

5.2 This archetype has a single non-domestic demand user, with a project substation connecting at high voltage to the existing transmission network. There are two ownership scenarios within this project archetype:

- a) non-domestic demand customer owns the network assets to the point of connection
- b) third party owns the network assets to the point of connection

Simplified diagram of project archetype one

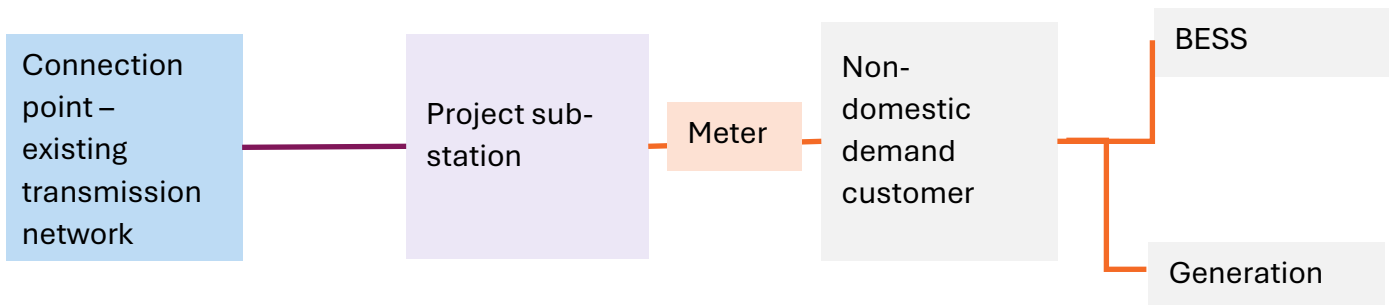


Archetype two

5.3 This archetype has a single non-domestic demand user, with a project substation connecting at high voltage to the existing transmission network. This non-domestic customer has behind the meter generation and/or storage. There are two ownership scenarios with this project archetype:

- a) non-domestic demand customer owns the network assets to the point of connection
- b) hird party owns the network assets to the point of connection

Simplified diagram of project archetype two



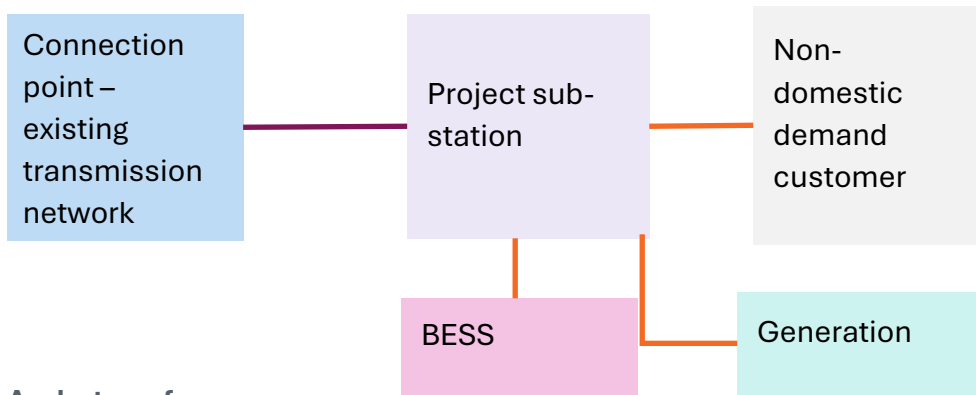
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Archetype three

5.4 This archetype has a single non-domestic demand customer and generation and storage which share a project substation and connect at high voltage to the existing transmission network. The generation and storage are participating in the market. There are two ownership scenarios within this project archetype:

- a) the network assets to the point of connection are owned by a Special Purpose Vehicle created by the connected customers- this is sometimes called the “Grid Co model”
- b) third party (not linked to the connected customers) owns the network assets to the point of connection

Simplified diagram of project archetype three



Archetype four

5.5 There are multiple non-domestic demand customers and generation and storage which share a project substation and connect at high voltage to the existing transmission network. The generation and storage are participating in the market. There are two ownership scenarios with this project archetype:

- a) the network assets to the point of connection are owned by a Special Purpose Vehicle created by the connected customers- this is sometimes called the “Grid Co model”
- b) a third party (not linked to the connected customers) owns the network assets to the point of connection

Simplified diagram of project four archetype

