Consultation

Curate – Demand Connections Reform

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This consultation seeks views and input on our Curate package of measures to better manage the rapid growth of data centres in the demand connections queue. Curate proposed two key reforms: a data centre commitment fee and data centre queue management milestones both aimed at deterring speculative and non-viable projects and facilitating viable developments.

This document outlines the scope and purpose of the consultation, the consultation questions, and explains how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at www.ofgem.gov.uk/consultations. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Executive summary

The growth of artificial intelligence is driving significant interest in data centre investment. This is set to profoundly impact the energy system. Between November 2024 and June 2025, contracted demand in the connection queue increased from 41 GW to 125 GW. Of this, around 73 GW are data centres. For a sense of scale, peak demand in Great Britain in 2025 was 45 GW. Data centre growth is both a critically important economic growth opportunity and one that raises significant risks to consumers and the wider energy system, if not properly managed.

Working closely with government and NESO we have set out a package of reforms across three pillars to respond to this challenge:

- **Curate** focuses on reducing speculative, non-viable projects in the queue and ensuring viable projects are able to progress as quickly as possible to connection
- **Plan**, led by government, focuses on how to plan for growth in data centre sector alongside the energy system, and prioritise strategic projects through the connections system
- **Connect** focuses on developing new approaches and connection arrangements to accelerate and increase the number of connections, while maintaining a secure system

This consultation is on our proposed **Curate** measures and applies only to data centres.

Current arrangements mean it is relatively inexpensive to secure and retain a demand connection queue position. As we have seen, at the same time there is a very high level of interest in building data centres. This creates an incentive for non-viable and speculative projects to join and remain in the connections queue, causing harm to consumers. It distorts network investment signals, locks up scarce network capacity and delays viable projects from connecting. These proposed reforms are intended to improve "queue health" so that data centres with connection offers are those projects genuinely able and ready to progress to energisation. It is therefore a crucial enabler of the Plan and Connect pillars. The objective of Curate is not to reduce the volume of data centres in the connection queue to a predetermined amount. Curate's goal is to disincentivise non-viable and speculative data centre projects from joining or remaining in the connections queue, while at the same time imposing the lowest feasible financial and administrative cost burden on data centre developers and investors to achieve this.

This consultation sets out two key proposals to achieve this:

- **Data centre commitment fee.** Data centre projects above a 40 MW threshold will be required to secure a returnable financial commitment from the point they accept a connection offer until energisation. We are proposing a value between 2.5% and 7.5% of average data centre capital expenditure, which would result in a fee of approximately £237,500 to £712,500 per MW of requested capacity. The fee will be returned if the project proceeds as planned but forfeited if the project terminates or fails to comply with the relevant requirements. We are consulting on both the mechanism to derive this, and, in particular, the percentage of project capital costs we will apply, to calibrate how financially onerous the fee will be.
- **Data centre queue management milestones.** These would require developers to provide evidence of project progression at specific stages of the connection process. We have made these specific to the development milestones of the data centre sector. Requirements include demonstrating a credible compute customer or end-user, procurement of long-lead electrical equipment, financial capability, and technical readiness. Separate pathways are proposed for self-operated facilities and projects intended for lease or sale, reflecting different commercial models within the sector. Projects failing to meet these requirements could lose their queue position.

The commitment fee and milestone framework are intended to operate as a coherent package. Relatedly, we are considering these alongside the impact that updated securities regime for demand projects overall could have. We anticipate these measures will help improve network planning, release capacity currently held by projects unlikely to proceed, accelerate connections for viable developments, and support investment in strategically important demand projects.

We have been engaging industry in developing these proposals, and very much welcome stakeholder views on the design, scale and implementation of both measures. Following consultation, we intend to take decisions later in 2026, delivered through relevant changes to industry codes, licences and contractual arrangements required to implement the new framework.

1. Introduction

This chapter describes Ofgem's demand connections reform programme, structured around the Curate, Plan and Connect pillars. It outlines Curate's proposed data centre commitment fee and queue management milestones, designed to deter speculative and non-viable projects while accelerating credible connections. It also explains the interaction with proposed securities reforms, coverage of existing and future projects, and projects in scope connecting at transmission and distribution. Finally, it outlines the consultation's chapters, questions, next steps and how to respond to the consultation.

Background

1.1 Ofgem, working collaboratively with government and NESO, is progressing a package of demand connections reform in response to the rapid growth in the demand connections queue. On 13 February 2026 we published a Call for Input setting out our approach to reforming demand connections.[1] This is built around three pillars:

- **Curate** focuses on introducing new or strengthened entry and membership criteria to ensure viable projects are able to progress as quickly as possible to connection.
- **Plan**, led by government, focuses on supporting government-led prioritisation of strategic projects and developing a new strategic plan for data centres. In March 2026, government consulted on several proposals,[2] 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.

1.2 **Connect** focuses on developing new approaches and connection arrangements to accelerate and increase the number of connections, while maintaining a secure system. We published an update on this pillar in June 2026.[3]

1.3 This consultation sets out proposed measures in the Curate pillar in response to specific problems we have identified with current queue composition and behaviour.

[1] Ofgem, *Demand connections reform*.
[2] UK Government, *Accelerating electricity network connections for strategic demand*.
[3] Ofgem, *Connect update: demand connections reform*.

Curate package overview

1.4 Our Curate package has two principal components:

- **Data centre commitment fee** – In scope data centres will be required to pay a data centre commitment fee if they terminate or reduce capacity prior to energisation and must secure 100% of this fee between Gate 2 offer acceptance and energisation. The fee becomes payable if the project does not progress in accordance with the relevant rules.
- **Data centre queue management milestones** – In scope projects must provide evidence at defined milestones to demonstrate: a credible end-user of the data centre, procurement of long-lead electrical equipment, and financial and technical capability to develop a data centre to energisation. This provides a check, with sanction, of appropriate project maturity and progression.

1.5 The two measures are intended to operate together to address the negative impacts of speculative and non-viable data centre developers in the connection queue, whilst simultaneously allowing viable projects to progress as quickly as possible to energisation.

Updated securities regime for demand

1.6 In our 13 February Call for Input, we noted existing code modifications (CMP417 and CM093)[4] [5] which are proposing to align liabilities and securities requirements across generation and demand so that both categories of projects are subject to the Connection and Use of System Code (CUSC) Section 15 - User Commitment Methodology.[6] This requires generators to place securities with NESO which are reduced over time as projects progress and achieve specific milestones.

1.7 As set out in Chapter 4, we have conducted analysis which includes the effect of these modifications alongside the introduction of the data centre commitment fee, to show how and why they work in conjunction with one another.

Existing and future projects

1.8 Our proposals are intended to apply to both existing and future projects, subject to the scope, thresholds, exemptions and grace periods set out in this document.

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[4] National Energy System Operator, *CMP417: Extending principles of CUSC Section 15 to all Users*.
[5] National Energy System Operator, *CM093: Extending the principles of the User Commitment Methodology to Final Sums Methodology as a consequence of CUSC Modification CMP417.*
[6] National Energy System Operator, *CUSC Code Documents*.

Existing projects are covered because the current queue already contains such a significant volume of data centre projects. These proposals are also intended to influence future application behaviour to reduce the risk of further queue growth from non-viable, speculative projects.

Transmission and distribution

1.9 The measures apply to relevant data centre projects connecting at transmission and distribution, but the implementation routes will differ. Transmission implementation is expected to be through existing NESO processes, licence changes, the CUSC and related documents.

1.10 For projects connecting to the distribution system the implementation routes vary by measure: projects will be in scope of the data centre commitment fee to the extent they drive a Transmission Entry Assessment,[7] and so are considered in NESO processes. Data centre queue management milestones will be directly implemented by existing electricity distribution network operator contracts or guidance, with related electricity distribution licence changes.

How this consultation is structured

1.11 This consultation is structured as follows:

- Chapter 1 – introduction and explains how the Curate package works as a coherent set of measures under Curate, Plan, Connect.
- Chapter 2 – sets out the strategic case for change, including the data centre evidence base and the harm caused by a large queue that includes non-viable, speculative projects.
- Chapter 3 – sets out our proposed design for the data centre commitment fee.
- Chapter 4 – explains how we propose to value and calibrate the fee.
- Chapter 5 – sets out the scope, application and detailed implementation of the fee.
- Chapter 6 – sets out our proposed data centre queue management milestones.

[7] In this context we refer to '*Transmission Entry Assessment' (TEA)*, a process described in the Energy Networks Association Queue Management User Guide (p.7). TEA "*is used to capture all circumstances – for Generation and Demand projects - where interface with NESO is initiated to assess the impact of a project on the Transmission System*". *Transmission Entry Assessment* is not a defined term in CUSC.

- Chapter 7 – explains how the queue management milestone framework would be implemented.
- Chapter 8 – summarises the legal documents and statutory duties assessment.
- Chapter 9 – consolidates the consultation questions and next steps.

How to respond

Each section broadly follows the following structure: our proposals, why we are proposing, evidence and stakeholder feedback, options considered, our position, and concludes with several consultation questions for each section. The consultation questions are summarised in Chapter 9 alongside our next steps.

Alongside this document we have published a document Curate consultation: Demand Connections Reform – response template. We request stakeholders use this to structure their response. Appendix 3 contains our privacy policy and further information on how stakeholder responses and information provided will be handled.

2. Strategic case for change

This chapter sets out the case for reforming the growing demand connections queue, initially focusing on data centres, which account for around 73 GW across approximately 315 projects. It explains how low entry costs, scarce credible end users and incentives to secure grid capacity can encourage speculative and non-viable applications. A long queue of speculative, non-viable projects distorts network investment signals, locks up scarce capacity, delay viable developments and weaken investor confidence.

2.1 The demand queue is large and growing. Projects in the queue that are speculative, non-viable and unlikely ever to connect create material harm to consumers.

2.2 In this document, we refer to non-viable projects as ones unlikely to progress to energisation, for example because they cannot secure planning permission, financing, reach a final investment decision or have a credible route to delivery. We use speculative projects to mean projects where there is no credible end user, or where the developer does not appear to have a credible intention and capability to develop the project through to energisation. We recognise that project development, especially for a growing and changing sector such as data centres, is complex and viability can change over time.

2.3 Our understanding of the current demand queue is based on the following evidential basis:

- data and insights from NESO's voluntary call for input of the demand queue issued in November 2025, a summary of which was published by NESO in March 2026[8]

2.4 project-level data from NESO's mandatory information request notice (IRN) to demand projects in the transmission queue, issued on 13 March 2026.[9]

- project- level data collected by distribution network operators from a voluntary call for input of their demand queues in March 2026. This requested similar data and information to NESO's mandatory request and was aggregated by NESO
- aggregated transmission connection queue data provided by NESO following queue formation, and at various times over the course of policy development

[8] National Energy System Operator, *Demand Call for Input (CFI) High Level Summary* (March 2026).
[9] National Energy System Operator, *Demand Information Request Notice (IRN)*.

- aggregated distribution queue data collected from distribution network operators and aggregated by the Energy Networks Association of data centres in the distribution queues
- insights from wider stakeholder engagement, including via our Curate Advisory Group and other stakeholder engagement
- data and insight generated by comparing information collected from the above sources and comparing this to publicly available Companies House data

2.5 Appendix 2 sets out further our approach to stakeholder engagement.

Why the focus on data centre demand?

2.6 Data centres are the focus of demand connections reform because of the sheer volume of demand connection capacity being sought by the sector. Both the number of applications and size of capacity being sought is also increasing. The scale of this demand means that even if the percentage of non-viable and speculative connection application were lower than other sectors (which there is no evidence to suggest is the case), the impacts would still be considerable.

2.7 Between November 2024 and June 2025 total contracted offers in the demand queue rose sharply from 41 GW (17 GW transmission, 24 GW distribution) to 125 GW (97 GW transmission, 29 GW distribution) in June 2025.

2.8 Our analysis shows that approximately 73 GW of the total demand queue are data centres, comprising around 315 data centre projects with total contracted capacity ranging from 1 MW to 1,500 MW.

- From NESO's March 2026 CFI, we see the remainder of the demand queue is composed mainly of hydrogen electrolyser, industrial demand, and transport. We are working with the NESO and network companies to collect data on a regular basis to improve our understanding of the complete demand queue.
- Of the 73 GW in the queue, most of the MW capacity is extra-large and hyper scale projects:

Table 1: Analysis of data centre queue

Data centre size	MW band	Number of projects	Total (MW)	Percentage of data centre queue
Small	0 - 10	11	76	0.1%
Medium	10 - 50	47	1,370	1.9%
Large	50 - 100	51	3,492	4.8%

Extra-large	100 - 500	166	36,632	50.2%
Hyper	500+	40	31,408	43.0%

- When considering the feasibility of this pipeline of data centre development materialising and the volume of possible speculative, non-viable projects:
  - Peak GB electricity demand in 2025/26[10] was 45 GW.
  - This overall pipeline of data centre development represents £693 billion of implied total capex, around 23% of UK GDP in 2025[11], assuming an average capex of £9.5m per MW (see Chapter 5 for details on how this is derived).
  - Bloomberg analysis and reporting[12] in February 2026 suggest around $650 billion of global capex into AI infrastructure by the four largest tech companies: Alphabet (Google), Amazon, Meta, Microsoft.

2.9 The March 2026 NESO a summary[2] of its Call for Input of the demand queue notes that:

"Data centre demand dominates the overall picture [of queue composition and geographic breakdown], forming the largest single technology category across all areas and years. Electrification, energy storage, and industrial demand appear at lower but still material levels, with variation depending on region."[13]

2.10 As well as new data centre projects joining the queue, our analysis shows that between May 2024 and August 2025 at least 9 GW of data centres in the transmission queue had modified their connection request from a 'battery' technology to data centre. A number of stakeholders have pointed to a financial incentive structure that make battery, and other technologies, increasingly likely to modify their current connection to become data centres at the next application window, also as a result of connections reform changes.

2.11 This initial focus on data centres now does not mean we do not consider the effectiveness of the whole demand connection queue important. As set out in our Call for Input we have a staged approach: first developing data centre specific measures and recognising the distinct challenges data centres create for demand connections process. Then, in stage two, assessing the evidence, data, and case

[10] NESO, Triad Data 2025/26.
[11] Office for National Statistics, *Gross Domestic Product at market prices (current price, seasonally adjusted).*
[12] Bloomberg, *How Much Is Big Tech Spending on AI Computing? A Staggering $650 Billion in 2026* (February 2026).
[13] National Energy System Operator, *Demand Call for Input – High Level Summary* (March 2026), p.7.

for developing a data centre commitment fee, such as a progression commitment fee, and strengthened readiness requirements for other demand types.

Data centres developers and the drivers of queue growth

2.12 The significant growth in data centres, driven by investment in artificial intelligence (AI) and the expectations for its economic and social potential, is a global challenge, as are accompanying grid connection queues and delays. The government has identified[14] AI as a strategic opportunity and growing UK data centre capacity as key. Data centres also provide other non-AI digital services to consumers and citizens, and their growth reflects demand for these services.

2.13 The time between deciding to build a data centre and securing sufficient power to operate the compute inside the data centre has emerged as a significant constraint on the growth and deployment of data centres and AI infrastructure globally. This is known as speed to power.

2.14 Data centre connection demand leads to the value of land increasing significantly once planning permission and a grid connection have been secured. This creates a strong incentive to compete for suitable sites and secure grid connections to capture this value.

2.15 The data centre sector is a complex and evolving sector. Business models and different parts of the sector vary considerably. Our analysis points broadly – but not exclusively – to five types of data centre developer present in the queue:

- Hyper-scalers – the largest global tech companies who operate scalable cloud computing businesses and require data centres – and the compute capability they house – to operate their digital services, including AI. They may develop and build their own data centres entirely in house or at various points secure projects or land from powered land developers and independent landowners. They generally also procure services from data centres operated by a co-location provider.

- Data centre co-location providers – these firms operate data centres and then lease the compute capability to hyper-scalers or other customers. The business models vary, including whether they focus on cloud services, AI or both. They may develop and build their own data centres entirely in-house, or secure projects or land from powered land developers (see below) and independent landowners. They take different approaches on whether they

[14] UK Government, *Delivering AI Growth Zones*.

secure a compute offtaker and end user for a data centre development before they start developing it to completion.

- Energy and infrastructure developers – they largely have existing businesses in adjacent sectors to data centres such as energy or infrastructure. They may use their own land – or work with independent landowners, powered land developers and advisory firms to secure land – and turn this into an integrated power/ infrastructure and data centre proposition seeking to co-develop this to completion with a hyper-scaler or co-location provider.

- Powered land developers – property, infrastructure, and project development firms who source and secure land, planning, and grid connections for different types of projects (such as renewable energy and data centres). They typically package developments which have secured all three as an investment proposition to other investors or developers to take the project to completion.

- Independent landowners – landowners or other firms who may own, or hold rights over, parcels of land and are either self-developing or working with advisory firms to secure planning and a grid connection for their land with the intention of making this an attractive investment and commercial proposition to investors or developers who may then take the project to completion.

2.16 As set out later in this document, the cost of entering the connection queue is very low, traditionally linked to the cost of undertaking studies or administration costs related to the application.

2.17 Taken together, we understand these factors are creating a situation where:

- there are many parties developing data centres projects at various points across the value chain but there are a comparatively small number of compute offtakers and end-users.

- to hedge the risk of failure and delays across land, planning, and grid connection, developers may maintain a portfolio of projects, increasing the number of grid connection requests further driving grid capacity scarcity. This increases the value of land with grid connection and planning, again incentivising securing more grid capacity (and profiting from the increase in land value).

- for developers who do not intend to develop projects to completion and deploy the significant volume of capital required to do so, they may only require one, or a small number, of their portfolio to be sold to realise an increase in land value and investment to secure a sufficient return.

- the costs and benefits of joining the connection queue are both not aligned, and costs considerably outweigh benefits. Currently there is considerable financial value in securing a connection offer and holding a queue position. This is inexpensive to do, and is only an option, but not an obligation to develop that project. At the same time, all the associated costs and harms of non-viable, speculative projects holding queue position are directly or indirectly borne by consumers. These are discussed in more detail below.

Harms caused by a long queue of non-viable, speculative projects

2.18 A combination of our analysis and stakeholder engagement, the information set out above on size and composition of the data centre queue, the specific characteristics and incentives involved in data centre development, all suggest a material volume of non-viable and speculative projects. This creates serious issues, most of which mirror those encountered with generation and storage, and which was the basis for implementing connections reform[15]. These include:

- Distorted network investment signals – The connections queue is an important input for the NESO and transmission and distribution network operators' decisions on network planning and investment. A queue that does not accurately reflect real investment intent means inaccurate signals about future network infrastructure and investment build. Whilst we are progressing measures to enable developers to build more connection assets themselves, the increasing size of many individual projects – and the overall queue volume – will increasingly trigger network reinforcement, which are significant and costly infrastructure projects. The distorted network signal also leads to delays, because network planners must use scarce resources evaluating uncertain requirements, and with the knowledge much of the queue isn't ever likely to connect.
- Scarce future connection capacity is being locked up – Access to network capacity is limited, notwithstanding measures we have underway to expand this. Non-viable, speculative projects in the queue must be planned for and sequenced. Scarce resources should be allocated in a way which maximises the benefits to consumers, citizens and the wider economy. Non-viable and speculative projects are holding valuable queue positions,

[15] Ofgem, *Decision on Connections Reform Package (TMO4+).*

consuming network planning and grid resources at the expense of viable projects.

- Slowing the delivery of consumer, economic, system and social benefits – The energy system should enable these benefits and outcomes. A long queue of non-viable, speculative projects leads to delays in connecting real projects, slowing down and reducing their positive benefits. Further, this can impact on investor confidence, making financing harder, deterring investment in Great Britain and impacting the delivery of strategically important demand projects. The government has identified accelerating grid connections as a priority in its Industrial Strategy.[16]

2.19 The central challenge of Curate is achieving an appropriate balance between:

- Deterring speculative and non-viable data centre developers from holding connection capacity
- Adding unduly burdensome costs to viable, non-speculative developers

[16] UK Government, *Industrial Strategy* (2025).

3. Data centre commitment fee: mechanism design

This chapter sets out the proposed design for a data centre commitment fee, analysing three options and recommending Option 1A: a data centre commitment fee with fixed liability to be secured at offer acceptance and returned at energisation. It summarises stakeholder feedback and explains our evaluation of Options 1A, 1B and 2 against four policy objectives. Option 3 is not assessed further because we do not propose to progress a non-returnable fee. We concluded that Option 1A offers the strongest overall balance: a clear deterrent to speculative projects, simple administration, and an effective incentive to progress to energisation.

3.1 We are proposing to implement a data centre commitment fee that would become payable on termination. Data centre developers will be required to secure 100% of this fee be secured from offer acceptance, and the security be returned at energisation. This proposal is a refined version of **Option 1A**, reflecting further policy development since the Call for Input and summary of responses**.**

3.2 Our Call for Input presented four data centre commitment fee design options:

- **Option 1A:** a lump-sum returnable commitment fee
- **Option 1B:** an incrementally returnable fee
- **Option 2:** a progression commitment fee-style model
- **Option 3:** an upfront non-returnable fee

Stakeholder feedback

3.3 As noted in our summary of responses document, a clear majority of respondents expressed support for the introduction of a data centre commitment fee. In total, 76 respondents (63%) were in favour, 14 (12%) were not supportive, and 30 (25%) did not express a view.

3.4 Support was strongest for Option 1B and Option 2 (31 and 36 respondents respectively). Some supported Option 1A (18). Option 3 had the highest level of opposition. Some responses supported several options or a combination of the options presented.

3.5 We have continued to refine our policy development with NESO and government, tested emerging thinking through the Curate Advisory Group and incorporated wider stakeholder feedback.

Evaluation criteria

3.6 We evaluated the options against four equally weighted objectives:

- Discourage less-viable projects in the queue
- Encourage proactive self-termination
- Encourage timely progression
- Simplicity of implementation and administration

3.7 **Objective 1 – Discourage less-viable projects in the queue**: The options differ in the extent to which they increase the cost of holding a queue position. The effect is likely to be greatest for future applicants, as the financial requirement is known at offer acceptance and may influence whether a project enters the queue. For future applicants Option 1A provides the strongest deterrent because they require a significant upfront security commitment. Option 1B also provides a strong deterrent although the availability of incremental security release reduces the overall risk exposure for developers. For existing projects, the effect depends on the option chosen and the stage already reached. Option 1A is likely to have a greater impact because the full financial requirement applies regardless of progress already made. By contrast, projects that have already achieved milestones under Option 1B may face a lower remaining financial exposure, reducing the strength of the deterrent. Option 2 provides the weakest deterrent because the financial commitment increases over time rather than a significant upfront barrier.

3.8 **Objective 2 – Encourage proactive self-termination**: This objective considers whether projects are encouraged to self-terminate when they are no longer viable, rather than remaining in the queue until formal termination. Option 2 performs most strongly because its increasing security profile creates repeated decision points at which developers must reassess whether progressing remains commercially justified. For future applicants, while Option 2 has a weaker upfront deterrent than options requiring a large initial security, it provides a stronger ongoing incentive to review project viability. Option 1A is less effective because the principal decision point occurs at single point in time when the upfront security is due; once the security has been posted, the incentive to self-terminate is reduced. Option 1B is also similar to Option 1A but may have a weaker impact on more advanced projects because their remaining financial exposure could already be reduced through milestone achievement.

3.9 **Objective 3 – Encourage timely progression:** Option 1B performs most strongly for future and existing projects because it directly links the release of held security to milestone achievement, creating a continuing incentive for projects to progress

through the queue management framework. This incentive applies to both new and existing projects, although the effect may be weaker for projects that have already achieved several milestones. Option 1A provides a more moderate incentive, focused on reaching energisation and securing full release of the security. Option 2 supports progression towards energisation but provides a weaker incentive to progress quickly between milestones.

3.10 **Objective 4 – Simplicity of administration and implementation:** Option 1A is the simplest option to implement and administer because the security is generally updated only when posted and returned at energisation. Option 2 is more complex, requiring periodic updates to security values over a project's lifetime. Option 1B is likely to be the most administratively complex because security levels would need to be recalculated whenever project-specific milestones are achieved.

3.11 The table below summarises this assessment of Options 1A, 1B and 2 against these criteria. We assigned a qualitative score from zero to five for each objective. A score of zero indicates that the objective is not met; a score of five indicates that the objective is met fully and provides the strongest incentive or disincentive. This assessment is intended to inform, rather than determine, the final policy choice, as there are wider factors to consider in selecting the most effective mechanism design.

Table 2: Summary assessment of data centre commitment fee options

	Discourage less-viable projects	**Encourage pro-active self-termination**	**Encourage timely progression**	**Simplicity of administration and implementation**	**Total**
Option 1A	Strong deterrent, particularly for speculative projects **(5)**	Main effect occurs before security is posted; limited ongoing incentive to self-terminate once	Incentive to reach energisation, but no incremental incentive to progress quickly **(3)**	Relatively simple ongoing administration **(5)**	**16**

		security is in place **(3)**			
Option 1B	Deterrent slightly reduced by partial returns **(4)**	Effect depends on milestone status and remaining security exposure; staged releases provide some ongoing viability checks **(2)**	Strong incentive for milestone progression to receive next security release **(5)**	Ongoing administration is much more complex than other options **(2)**	**13**
Option 2	Smaller upfront deterrent for new applicants **(3)**	Encourages regular project viability review **(5)**	Moderate incentive to reach energisation but no incremental incentive to progress quickly **(3)**	Moderately complex to administer on an ongoing basis **(3)**	**14**

3.12 On balance, our assessment is that Option 1A performs most strongly overall. It combines a strong deterrent effect with the greatest administrative simplicity, while still providing an incentive to progress to energisation.

3.13 Although Option 1B and Option 2 offer stronger ongoing incentives in some respects, they are more complex to administer. As noted in our summary of responses, we do not propose to progress Option 3 further for several reasons, including that it provides weaker incentives for self-termination and timely progression, as well as raising additional legal considerations due to its non-returnable nature. This also reduced its simplicity of implementation.

Questions

Q1. Do you agree with our proposed data centre commitment fee, based on Option 1A? Please provide reasons for your answer.

Q2. Do you agree with our qualitative assessment? Please provide reasons for your answer.

4. Data centre commitment fee: value and calibration

This chapter sets out our proposal for a data centre commitment fee range of £237,500 to £712,500 per MW, equivalent to 2.5% to 7.5% of average project capital expenditure. It explains the fee methodology, based on connection capacity and benchmark capital costs, and assesses impacts on project returns. A flat, linear fee is preferred for simplicity and to limit gaming. The chapter also considers expected effects on speculative projects and project portfolios, alongside the combined impact of the fee and proposed demand securities reforms.

4.1 We are proposing a fee value in the range of £237,500/MW to £712,500/MW, which represents around 2.5% to 7.5% of an average data centre project's capital expenditure of £9,500,000 per MW. This means that a data centre with a requested connection of 100 MW will have to secure £23.8 million to £71.3 million at the point of accepting a connection offer.

4.2 This section sets out:

- The objectives and outcomes we want to achieve
- Our methodological approach and rationale
- Our views on how the fee will lead to the outcomes we want
- The combined impact of commitment fee and demand securities

4.3 We are seeking your views, with supporting evidence where possible, on our analytical approach, the range we propose, and what level of fee within this range (or not) you believe should be used.

Our objectives and outcomes

4.4 We are seeking to establish a fee level that balances two objectives:

- A fee sufficiently high to deter non-viable or speculative projects from entering or remaining in the queue, or to incentivise them to take actions to change their status to viable or non-speculative.
- A fee that imposes minimal financial burden on viable and non-speculative data centre developers as they progress to energisation.

4.5 Where possible we do not want to unduly distort competition or inadvertently restrict diversity in the types of data centre and business models, which serve a range of needs in the economy beyond artificial intelligence.

4.6 It is not feasible to value the harm, or externalities, imposed by speculative capacity holders as set out in Chapter 2. Nor can we administratively determine the market value of scarce network capacity. We recognise there may be other ways to do so, for example auctions, however, those are beyond the present scope of this phase of work.

4.7 We are not seeking to set a fee level to reduce the amount of data centres in the queue to a pre-determined MW amount (perhaps linked to total amount of network capacity available).

Our methodological approach

4.8 The formula for determining a relevant project's fee is below:

$$Fee = Project\ capacity\ in\ MW \times (average\ project\ capex\ per\ MW \times percentage\ of\ project\ capex)$$

Input 1: Project capacity in MW

4.9 The grid connection capacity a project is seeking provides a clear indicator of both the scale of energy demand and the overall size of a data centre project. Using project capacity in MW as an input enables the fee to scale proportionately to the impact the project will have on the electricity system.

Input 2: Average project capex per MW

4.10 The valuation methodology for the data centre commitment fee is set as a percentage of typical data centre capex per MW. We consider capex to be the appropriate measure to use as an input to the fee because it scales to size, unlike devex, which has cost variability driven by location and planning consent requirements.

4.11 The data on the costs of developing data centres comes from the NESO information request notice and distribution network operators voluntary request for information. Our derived total project capex per MW for data centres are benchmark figures that reflect market conditions as of April 2026. We consider establishing benchmark costs, rather than using a project's own self-reported costs to appropriately manage any gaming or avoidance risks.

4.12 Our analysis indicates that the average project capex per MW of building a data centre is £9,500,000. To account for the impact of outlier projects, we have

determined the median and taken these out of the data set for the calculation of the mean.

4.13 For transparency we have broken down capex by project size. However, we are deriving one fee mechanism for all data centres, and as a result one 'Average capex per MW' calculation. This is partly because of the amount of data points we have and how they are distributed (materially fewer smaller project), for ease of implementation, and to avoid the risk of inadvertently creating a market distortion between different data centre sizes. This is consistent with our decision to use a flat linear fee (see below) and to only apply the fee on projects above 40 MW which is explained in detail in the following chapter.

Table 3: NESO information request notice estimated capex of data centres by size

	Size of project (MW)	**Mean capex per MW**	**Median capex per MW**	**Number of projects**
Small	0-10	N/A	N/A	N/A
Medium	10-50	£17,500,000	£17,500,000	1
Large	50-100	£12,571,109	£8,823,914	19
Extra Large	100-500	£10,280,600	£8,591,863	111
Hyper	500+	£7,451,284	£5,876,895	19

Table 4: DNO Request for Information estimated capex of data centre by size

	Size of project (MW)	**Mean capex per MW**	**Median capex per MW**	**Number of projects**
Small	0-10	£27,000,000	£9,545,455	7
Medium	10-50	£13,541,800	£10,051,053	8
Large	50-100	£6,778,605	£6,877,222	13
Extra Large	100-500	£6,869,376	£7,699,476	22
Hyper	500+	N/A	N/A	N/A

Input 3: Percentage of project capex

4.14 We are consulting on a range of 2.5% to 7.5%. Taking the input assumptions discussed in our case study below gives us a comparable fee range of £237,500 per MW to £712,500 per MW. This is equivalent to around 3 to 9 months of minimum return expectations on a project based on an average Weighted Average Cost of Capital (WACC) of 10.95% (derived from NESO's Information request). There is no mechanistic way to set this and determine a fee level that best balances our objectives, and so is an exercise of regulatory judgement.

4.15 We have considered international examples and fees set by other regulators and policy makers for comparison, and which were highlighted by respondents to our Call for Input. This included, for example €40,000 per MW[17] based on the Spanish Government's approach, $50,000 per MW[18] figure from Texas, USA and an apparent $70,000 per MW[19] figure from the Georgia, USA utility levied based on power reserved. Whilst useful context, our understanding is that the data centre queue impact in Spain has been limited and the other above cases have only relatively recently been implemented. Further, the fee, and so impact, is also highly market context specific, dependent on wider design choices like whether it is payable if the project does not progress and if it interacts with other local pre-existing financial obligations. They are therefore relevant but imperfect comparators. We welcome feedback on equivalent fees set in other markets and evidence stakeholders that these have proved effective and proportionate.

4.16 We have tested the 2.5 to 7.5% range by analysing the impact on a hypothetical data centre's Internal Rate of Return (IRR) in three scenarios with different connection dates. This is to inform our understanding of whether this is too high a range. As stated, one of our two objectives is minimising the financial burden on viable, non-speculative data centre developers.

4.17 Ideally the fee effects are helpfully asymmetric. That is, a lower percentage of project capex still produces a sufficiently high millions of pounds risk of loss to disincentivise speculative and non-viable projects from holding connection capacity. Even setting a percentage of capex at the lower 2.5% boundary would mean a 100 MW non-viable or speculative data centre securing, and risk losing, £23.8 million.

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[17] Spanish Government, *Royal Decree 1183/2020 on access and connection to electricity transmission and distribution networks* (Real Decreto 1183/2020)

[18] Public Utility Commission of Texas, *Rulemaking to implement large load interconnection standards under PURA §37.0561.*

[19] Georgia Public Service Commission, *Document filing #222325 relating to large-load electricity connections*

Case Study: IRR impact scenario analysis

We have taken some simple high-level assumptions, as detailed in table below, to model the pre-tax NPV and an unlevered pre-tax IRR on a hypothetical 100 MW data centre using a 10-year project cash flow forecast model. The revenue and cost inputs have been set to generate a c15% IRR before a connection fee is applied. We have used the Gordon Growth method to calculate a terminal value at the end of year 10.

As the modelled data centre is hypothetical, we are using the model to calculate the relative impact on the IRR of the fee level on projects with different connection dates, rather than looking at the absolute number. We assume that the fee is deposited as cash as at 31/12/2026 and the NPV and IRR are calculated from that point.

Assessment

Assumption table

Item	Assumption	Rationale
Project size MW	100	Majority of projects in queue sized 100 MW to 500 MW
WACC	10.95%	Based on feedback to NESO RFI
Inflation	2%	Bank of England target
Capex cost per MW (£m)	9.5	Average cost per MW
Base rent (£/kwh/mo)	125	To derive a c15% unlevered IRR based on NESO IRN
Base opex (£/kwh/mo)	15	To derive a c15% unlevered IRR based on NESO IRN
Maintenance capex (% pa of project costs)	1%	To derive a c15% unlevered IRR based on NESO IRN
Construction period	2 years	Based on stakeholder feedback

2029 connection	NPV £m @ 31/12/26	Unlevered IRR
0% fee	210	14.70%
2.5% fee	205	14.50%
7.5% fee	192	14.20%

2032 connection	NPV £m @ 31/12/26	Unlevered IRR
0% fee	163	14.70%
2.5% fee	153	14.30%
7.5% fee	131	13.60%

2035 connection	NPV £m @ 31/12/26	Unlevered IRR
0% fee	127	14.70%
2.5% fee	113	14.00%
7.5% fee	84	13.00%

Assessment summary

We have assumed that the fee is placed in cash as a deposit. It is worth noting that the fee may be secured by other means (see Chapter 5). Placing the fee as a cash deposit will have the maximum negative impact on IRRs and is therefore the worst-case scenario for a developer.

This model shows that taking the most financially onerous scenario of a 7.5% 'Percentage of capex cost' with a 2035 connection date this would lead to a reduction on the hypothetical viable project's IRR of up to 170 basis points. This is caused by the negative cost of carry until the fee is returned at project energisation.

4.18 It is not possible or desirable for us to assess each project to examine the tipping point where the IRR drops below the hurdle rate due to the size of the fee. However, an impact ranging from 20 basis points for a near-term 2029 connection project with a 2.5% fee to 170 basis points for a 2035 connection project with a 7.5% fee, would suggest that our fee range would not materially impact viable projects. There is also a dynamic effect, whereby viable projects' delivery is de-risked, and they might receive an IRR benefit from reductions in connection queue waiting time as the non-viable projects exit. This may balance or even improve overall returns.

4.19 This is one of the most critical points we are seeking stakeholder feedback on through this consultation. We welcome data, and views, on our proposed range, and how we should land on a specific value in the autumn.

Rationale for our choice of flat, linear fee

Flat single fee vs scalable fee

4.20 We agree with views expressed in response to our Call for input that the fee should be adjusted to the demand capacity of a project rather than be a single fee for all.

Linear scaling vs tiered fee

4.21 We considered two approaches in how to structure and apply the fee. One in which the fee scales linearly with MW usage or a fee which scales greater than linear using a tiering approach:

4.22 Linear MW scaling: the value of an in-scope data centre is determined by its project capacity in MW, meaning a 500 MW data centre would secure to a value proportionally greater than a 50 MW data centre.

- Capacity tiers: defining a set of capacity tiers and giving each band its own fee percentage. For a given project size, the capacity falling within each tier is charged at the corresponding rate. If rates increase with each tier this would scale the fee greater than linear.

4.23 We propose to use a linear MW scaling because:

- It reduces the risk of unintended incentives and gaming, such as restructuring or splitting of projects to fall within lower charging bands, which could create distortions in the connections process.
- It is simpler to implement and administer. Creating a tiering structure would require additional policy justification and multiple fee values, adding significant complexity.
- The data we currently have doesn't support a tiered approach: most of the data we have cover project between 100 MW and 500 MW (111 projects). We recognise that projects above 500 MW seem to have lower capex, but it is based on a smaller sample size (19 projects).

Expected impact on the queue

4.24 We set out in Chapter 2 that the data centre queue includes broadly five developer types:

- Hyper-scalers build and operate infrastructure for cloud and AI services, sometimes using third-party facilities.
- Co-location providers develop and run data centres, leasing capacity to hyper-scalers and other customers.
- Energy and infrastructure developers combine land, power and data centre expertise to create integrated projects.
- Powered land developers secure land, planning and grid connections before selling projects onward.
- Independent landowners obtain planning and connections to make sites attractive for investment and future development.

4.25 We expect the data centre commitment fee to have an impact on developers whose business strategy is "powered land banking". To the extent that this business strategy is most prevalent within independent landowners, powered land developers and energy and infrastructure developers, we expect this to incentivise them to develop the project to energisation or sell the project on to a developer who will minimise their exposure to the fee.

4.26 Co-location providers and hyper-scalers should, and would, also be discouraged from this but may be less likely to do so because building and operating a data centre is their core business activity. For these market sectors a failure to be able to post an appropriately set fee would suggest an inability to secure an offtaker, raise financing, or otherwise attract investment. That in turn suggests the broader market, best placed to assess individual projects prospects, views a project as insufficiently likely to reach delivery.

4.27 Some developers hold multiple projects in the queue whilst being unlikely, unable, or lacking intention to develop all of them. While each individual project may be viable, introducing a fee will incentivise developers to reduce their portfolio of queue projects at an earlier stage, so that it better reflects their broader capacity, financial and otherwise, to build and develop data centres. In addition, it may also incentivise developers to 'right size' their requested connection.

4.28 We note that the capex for small projects is significantly higher than others on a MW basis. However, given the data centre commitment fee only applies to projects above 40 MW (explained in Chapter 5), we have not used this to arrive at our average capex.

Combined impact of commitment fee and securities reform

4.29 All projects connecting to the transmission system are required to provide securities to cover connection-related costs incurred by transmission operators. These arrangements are defined in the CUSC.

4.30 Currently, generation and storage projects are subject to the User Commitment Methodology, while demand customers are generally required to secure the full value of connection costs at, or shortly after, connection offer acceptance (Final Sums methodology). Another difference is that under the User Commitment Methodology there is also a more detailed review on whether the assets could be shared, and hence the overall cost (per design) could be lower. The latter however is strongly dependent on the specific connection.

4.31 Code Modification proposal 417 (CMP417) is looking to bring all demand projects into the User Commitment Methodology, aligning them with generation and storage projects. The CUSC Panel considered CMP417 at its July 2026 meeting and unanimously recommended approval. We will assess CMP417 on its merits and other evidence before making our decision. In principle, reforming demand securities regime to bring it in line with generation and storage and reduce 'over-securitisation' is a proposal that has merit.

4.32 To that end, we have conducted our assessment on the assumption that the proposals in CMP417, or similar reforms, would be implemented and therefore have assessed the combined impacts of demand securities and the proposed commitment fee.

How the commitment fee design and value compares to existing and reformed securities, and the combined impact on projects

4.33 Respondents to our Call for Input highlighted the need to assess the combined impact of the proposed commitment fee and demand securities. As both obligations would apply concurrently during project development, we have considered their cumulative effect.

4.34 Our assessment examined 19 data centre projects using the expected CMP417 security arrangements alongside the proposed commitment fee. The size of our sample was limited by the fact that the relevant inputs (for example 'strategic investment factor' and 'local asset reuse factor') to calculate expected securities had to be individually calculated. Requiring transmission operators to calculate this for all the data centre projects in the queue would unlikely bring significantly stronger insights and would impose an unnecessary burden. We found the following:

- Assuming an average project capex of £9.5 million per MW, the reformed securities at or very shortly after offer acceptance range from 0.06% to 0.41% of the total capex (average 0.2%). This is significantly lower than the minimum 2.5% range which we are consulting on.
- That securities tend to drop once the project progresses towards energisation; however, their liabilities rise.
- For completeness, we also assessed our fee against the final sums methodology and found that securities ranged between 0.9% to 46%, with an average of 11.2% and a median of 7.9%.

4.35 The existing securities imposed on data centres and the fee being designed in this chapter are not in conflict and work coherently together. Securities imposed are seeking to protect consumers from the costs the network companies incur enabling a connection being socialised if a connecting party withdraws. The commitment fee is deterring speculative and non-viable projects.

4.36 As seen from the above, reformed securities – should we decide to approve CMP417– are likely to be significantly lower than our proposed commitment fee, particularly at the earlier development stages of a project. Therefore, they are unlikely to act as a strong enough deterrent for remaining in the queue for several years, let alone to enter the queue, given the scale of the issue.

Questions

Q3. Is it reasonable to assess the impact of the fee on a hypothetical data centre IRR for a viable project? If not, what alternative basis for an assessment of the impact of the fee on a viable data centre would be more appropriate?

Q4. Assuming your data centre project will progress to energisation, what would be the impact on your IRR if the data centre commitment fee value is set at 2.5% or 7.5% of the average capital costs per MW? Provide reasons and relevant evidence to support your answer.

Q5. Do you agree with the proposed estimate of approximately £9.5 million per MW as the average capital cost of building a data centre? Please provide reasons for your answer.

Q6. Do you agree that capital expenditure is a more appropriate basis than development expenditure for calculating the commitment fee? Please provide reasons for your answer.

Q7. Do you agree that a fee range of 2.5% to 7.5% of average capital costs is proportionate to the policy objective? What value would best balance impact while avoiding undue burden? Please provide reasons for your answer.

Q8. Would a fee at the lower end of the proposed range be sufficient to deter speculative or non-viable projects? Please provide reasons for your answer.

Q9. Would a fee at the upper end of the proposed range risk deterring viable, non-speculative projects? Please provide reasons for your answer.

Q10. Do you agree with our assumptions that projects that are speculative/non-viable at point of application (or already in the queue) will not be able to secure such a fee based on any of the selected range? Please provide reasons for your answer.

Q11. If you disagree with Question 10, what assumptions can be improved and how? Please suggest what additional data Ofgem would need to make an informed decision.

Q12. Do you agree that the commitment fee should apply only to data centre projects equal to or above 40 MW that connect to the transmission system or have a transmission impact? Please provide reasons for your answer.

Q13. Is 40 MW the appropriate threshold for determining applicability? If not, what threshold should be used and why?

Q14. We have used judgement to set a fee based on the impact of a fee on a hypothetical data centre's IRR. Are there examples of how this fee is calculated and

set in other jurisdictions (for example, USA, Spain, Ireland), that we could base it on to meet our objectives? Can you provide evidence that the regimes are consistent with the UK, and if not, what impact should that have on the calculation of the fee?

Q15. Is there any key element that we did not consider that would improve the quality of our analysis to establish the appropriate data centre commitment fee? Please provide reasons for your answer.

5. Data centre commitment fee: scope and detailed implementation

This chapter sets out how the proposed data centre commitment fee would work in more detail. It explains which projects would have to secure the commitment fee, when it would apply, how data centres would identify themselves, and how the fee and capacity threshold could change over time.

It also covers safeguards against gaming, accepted forms of financial security, treatment of hybrid projects, changes in capacity or technology, and what happens when a project self-terminates. The chapter seeks views on how existing cancellation charges should be treated, alongside proposed exemptions for projects close to connection and grace periods for certain existing projects.

Overall, the proposals aim to encourage credible projects, reduce speculative applications and protect consumers while remaining proportionate and practical to administer.

5.1 We propose that the data centre commitment fee is secured from offer acceptance to energisation.[20] The projects in scope are data centres connected at transmission and at distribution if subject to a Transmission Entry Assessment. We propose to use the definition of "TEA Equivalent Process" to capture this process with respect to distributed demand, which would be set out as a defined term in the CUSC. The data centre commitment fee would be applied to projects that have a capacity equal to or above 40 MW. All demand projects would also need to self-declare whether they meet the definition of data centre and would face penalties for non-compliance.

5.2 Our proposal would ensure the proposed data centre commitment fee policy is applied proportionally, can be implemented and administered largely through existing processes, and avoid unnecessary burden from creating additional financial processes. To this extent we propose that the fee will be treated using existing securities rules in the CUSC.

MW threshold, Transmission Entry Assessment

5.3 We propose that projects above 40 MW which connect to the transmission system or connect to the distribution system and are above 40 MW and are subject to a Transmission Entry Assessment will be subject to the fee.

[20] In this consultation we refer to energisation as concept of Charging Date defined in CUSC section 11 and associated with the construction agreement.

MW threshold

5.4 We consider it would be proportionate to have a MW threshold over which projects are subject to the data centre commitment fee. The risk otherwise is that smaller data centres would be more impacted by an administrative burden similar for all projects independent of size, despite their relatively smaller impact on the wider energy system. To arrive at a proposed threshold, we looked at the statistical distribution of the 73 GW queue data, comprised of 315 data centre projects with contracted capacities ranging from 1 MW to over 1500 MW. We found that 99% of the total capacity in the queue is composed of projects above 40 MW. This aligns with stakeholder feedback, which suggests data centre development size is increasing.

5.5 As with any threshold there are potential risks arising from a cliff-edge and gaming, and the potential for any unintended consequences. We welcome stakeholder feedback on setting a threshold at 40 MW.

Distribution connected projects and Transmission Entry Assessment

5.6 We considered whether and how the commitment fee should apply to projects connecting to the distribution system. One approach would be to develop a parallel data centre commitment fee applicable and implemented via distribution network operators for distribution data centre projects. Another was to consider whether a parallel fee was necessary, given the increasing volume of data centre connections and the interaction with existing Transmission Entry Assessment processes, which also collect and manage securities for distribution projects which impact on transmission system.

5.7 Developing a parallel data centre commitment fee applicable to all distribution projects raised several complex policy and implementation considerations including how such a mechanism would be standardised in its design across all distribution network operators, how forfeited fees would be treated, and how implementation could be delivered at pace.

5.8 As the size of data centre connection applications has increased this is increasingly requiring reinforcement or upgrades to the transmission system. The process by which this is assessed and managed is known as Transmission Entry Assessments. This process also creates contractual relationships between projects connecting to the distribution system, distribution network operators, and NESO.

5.9 There is not a consistent, codified threshold for when distribution demand projects should trigger a Transmission Entry Assessment, and it is principally

driven by whether there is available capacity at the location of the connection on the distribution system.

5.10 We analysed data from distribution network operators to consider whether utilising existing Transmission Entry Assessment mechanisms would be an appropriate approach to bring distribution projects in scope of the data centre commitment fee. As a result of our analysis, based on 14.1 GW of distribution data centre projects including the ones following TEA, we found that this was appropriate. For completeness we have also analysed the projects above 40MW and assessed that only five projects would be above the 40 MW threshold but are not subject to a Transmission Entry Assessment. Furthermore, these projects have connection dates in 2027 or 2028.

5.11 Therefore, on balance we anticipate that setting a threshold of 40 MW and utilising existing Transmission Entry Assessment processes to ensure distribution connected projects are appropriately in scope of the commitment fee would be a proportionate solution. Following an alternative approach to bring in scope all distribution projects regardless of their size or impact on the transmission system would create significant additional policy development and implementation considerations. This would have been complex, time consuming, with the potential of bringing marginal additional benefit.

Applicability period of the fee and its treatment

5.12 We propose that the data centre commitment fee should be applicable from offer acceptance to energisation and will be secured at that point using a similar mechanism to existing securities. The security framework of the CUSC would apply to demand projects connecting at distribution which are subject to the TEA and that fall under the CUSC. Securing the data centre commitment fee at application would be overly burdensome given the developer would not know the outcome of their application, whereas a decision to commit to additional funding at the point of offer acceptance is within their control. Our proposal provides the strongest test of project viability as projects would be required to post a security until energisation.

Projects in scope: definition of data centre, self-declaration and verification

5.13 We propose to use the definition in the Cyber Security and Resilience (Network and Information Systems) Bill for data centres.[21] Part 2, Chapter 1, paragraph 4 of

[21] Cyber Security and Resilience (Network and Information Systems) Bill - Government bill.

the Bill (based on drafting at the time of publication) sets out the definition of a "data centre service in the United Kingdom". This definition will be included in CUSC section 11. We acknowledge that the bill could be subject to change, and we will ensure that any relevant text will be updated.

5.14 To ensure relevant projects are in scope of the commitment fee all demand projects would be required to declare whether they meet the definition. This would be done via a self-declaration letter signed by a director of the project confirming their status as either a data centre according to the definition set out in CUSC or not. This requirement would apply to both existing and future applicants, and to any project that changes their technology via Modification Application process at Transmission or Distribution.[22]

Adjustment process for fee value and applicability threshold

5.15 We recognise that data centre sector is developing at pace, market conditions change, as do projects costs over time, and that the introduction of a commitment fee at a given threshold may itself shape developer behaviour in a way that changes the impact of the fee itself. Therefore, we propose a mechanism to enable the adjustment of the fee value over time.

5.16 To ensure suitable and appropriate governance of the fee value and applicability threshold we propose establishing governance within NESO's licence rather than use the industry code modification processes.

5.17 We propose that any adjusted data centre commitment fee or change to the applicability threshold will apply to all existing and future projects in the queue. In such an event, those projects will be required to post a security covering the difference between their original secured fee value and new fee value. A holder of a connection agreement who does not intend to post the additional security would have a period of three months to self-terminate the contract, without having to pay the data centre commitment fee. The treatment of such termination on other cancellation charges is explained in a separate section further below. If the data centre commitment fee value decreases, cancellation fee securities will be updated accordingly.

5.18 In relation to the timing of the adjustment, we are consulting on two options:

- **Option 1:** NESO or Ofgem discretion

[22] The Modification Application process, set out in CUSC section 6.9, allows CUSC parties to modify a connection agreement, this could include changes in technology, capacity requirements and connections date. DNOs have also a Modification Application process in place allowing distribution customers to change their connection request. The process at distribution is set out in DCUSA section 2 clause 52.

- **Option 2**: Periodic reviews undertaken by NESO with Ofgem approval

5.19 **Option 1:** At NESO or Ofgem discretion – NESO or the Authority will be able to initiate a review into the existing fee at their respective discretion and amend the value if needed. The provision for NESO to initiate a review and adjust the fee would set out specific criteria and reasonable circumstances when NESO could exercise this power. NESO will be required to run a 28-day consultation if intending to change the value. Before adjusting the data centre commitment fee, NESO will be required to secure Ofgem's approval for the proposed new data centre commitment fee.

5.20 **Option 2:** Periodic review – NESO would perform a regular review of the data centre commitment fee value. This provision would require NESO to formally consult for 28 days on the need to change the value at every window or annually. Within 1 month following consultation NESO would need to submit a statement to Ofgem setting out whether updating the value is required and what the new value is. The statement must summarise consultation views and NESO rationale. Within one month from receipt of NESO statement Ofgem could exercise a veto. A periodic review could take place twice a year, align to application window openings, annually, or some other frequency. We invite views on the frequency.

5.21 The criteria, rationale, circumstances and methodology to adjust the data centre commitment fee value would be set out in the NESO licence. The data centre commitment fee value would sit in a separate statement document which would sit under the licence, to which the change process would relate. This approach would allow for transparency, with industry able to make representations via consultation.

5.22 We are also considering establishing a mechanism to amend the applicability threshold over time. This is to ensure that the projects in scope reflect future changes in the trend of typical data centre sizes in Great Britain. The requirements to have this mechanism in place would be established in the NESO licence, alongside provisions for network companies to provide data and information to NESO and the Authority for the purpose of adjusting the threshold. Our proposed new Standard Licence Condition E18 of the NESO Licence is published alongside this consultation.

Gaming risks

5.23 We have considered scenarios and risks where implementation of the data centre commitment fee drives unintended consequences or behaviours which are a function of seeking to avoid the fee.

5.24 **Scenario 1:** Data centre does not accurately self-declare, and this is identified pre-energisation.

- If the project is found to be a data centre before energisation but it did not self-declare as a data centre this would be considered a misrepresentation of fact, as the project provided false information at initial application, at request (for projects with a connection agreement) or at a later stage via a Modification Application via NESO or distribution network operators. In such event the connection agreement would be terminated.

5.25 **Scenario 2**: Data centre does not accurately self-declare, and this is identified post-energisation.

5.26 We consider that it would be difficult for a data centre to self-declare as a different project-type and avoid identification throughout the entire connection process. The design of demand connections is driven by the characteristics of the load being connected, and there are points throughout the connections process where detailed, technical specifications are exchanged between parties creating opportunities for monitoring and compliance checks. We will continue to work with NESO, distribution network operators and industry to monitor and identify the scope of this risk. If necessary, we may consider further measures to manage this risk in future. Such measures could include disconnection.

Valid forms of security

5.27 We propose that the existing securities framework will apply to the data centre commitment fee, and that the same type of securities will be accepted in CUSC Section 15. This supports timely and proportionate implementation. Accepted forms include:

- Performance Bond or Letter of Credit from a Qualified Bank
- Cash deposit in a Bank Account
- Performance Bond from a Qualified Company

Treatment of forfeited securities

5.28 Should any securities be forfeited then we propose to use the same process as currently used for sums collected via the generation PCF, which means passing any forfeited securities back to consumers through consequent reductions in transmission network use of system charges.

Treatment of hybrid projects

5.29 For hybrid projects, we propose to apply the data centre commitment fee only to the capacity requested for the data centre component of the project. A non-disclosure of the data centre use would be treated as misrepresentation which could lead to termination of the contract, as per the sanction proposed if a data centre project did not self-declare as a data centre.

5.30 In the event hybrid projects have a generation and data centre component the generation component may be subject to the generation project commitment fee, and the data centre component would be subject to the data centre commitment fee when applicable.

Change of use and modification application

5.31 We have identified four scenarios in relation to change of use and modification applications. These are set out below together with the impacts on the application of the data centre commitment fee. We welcome views on our suggested approach.

5.32 **Scenario 1**: A project that identified itself as a non-data centre but then changes to a data centre at a later stage via Modification Application at transmission or distribution.

- This project would become subject to the commitment fee. We anticipate that changes in technology (as set out in existing material change guidance at transmission and the allowable change guidance at transmission and distribution respectively) may result in the loss of queue position as the change requested may have an impact on the energy system and other projects in the queue.[23]

5.33 **Scenario 2**: A project that self-identified as a data centre and was in scope of the data centre commitment fee but later changes technology to non-data centre projects via a Modification Application at transmission or distribution.

- In this scenario the developer would be liable to pay the amount securitised, as if the project were terminated. Furthermore, this could also result in different contracted date or queue position since this choice could constitute a material change, as per the guidance at transmission. We believe that this will incentivise commitment towards a specific use case, and avoiding certain

[23] ENA and NESO have published guidance documents explaining the circumstances where a change in technology can result in changes to queue position. See: ENA Allowable Change Good Practice Guide and NESO Material Technology Change Guidance.

behaviours directed to hold network capacity in the absence of a clear use case to obtain a grid connection.

5.34 **Scenario 3**: An increase of capacity requested by the data centre project.

5.35 We propose that the developer would be required to provide additional security to reflect the revised data centre commitment fee liability. The applicable fee will be recalculated based on the revised capacity, with the associated security requirement updated accordingly.

- We also anticipate that a capacity increase request would be subject to the rules of modification application and material change processes, where applicable, and may result in changes to connection date or queue position. We expect that this design would also prevent potential gaming opportunities, offering a stronger incentive to commit to specific capacity levels which would be beneficial to provide more reliable network build signals.

5.36 **Scenario 4**: A reduction of capacity requested by data centre projects.

5.37 We propose that the developer would be liable to pay the data centre commitment fee associated with the reduction in MW capacity. The applicable data centre commitment fee liability will be recalculated to reflect the revised capacity, and the developer would continue to maintain security in respect of the recalculated liability for the remaining capacity.

- This approach is similar to capacity reduction requests under the generation project commitment fee introduced in CMP448.[24] We expect that this design would incentivise commitment towards contracted capacity, since data centres would have to pay for the terminated capacity resulting from the capacity reduction request.
- We will continue to work with NESO and distribution network operators to monitor queue behaviour, and if we identify a significant increase in projects with applications just below 40 MW we will consider whether this requires change in threshold or any other measures.

Treatment of self-terminating projects

5.38 We propose that projects would be allowed to self-terminate without requirement to pay the data centre commitment fee if they do so before the offer is accepted or the data centre commitment fee is implemented. If projects decide to self-terminate at a later stage, the developer will become liable to pay the data centre commitment fee previously securitised. This approach is applicable to data

[24] CMP448 Connection and Use of System Code (CUSC) changes | Ofgem.

centres with existing agreements that have signed their connection offer or received an offer but have not signed it yet. This is a proportionate approach to encourage project termination of less viable or speculative data centre projects in the connections queue.

5.39 We also propose that, if the data centre commitment fee increases following review and adjustment by NESO/Ofgem, projects with existing agreements would be allowed to self-terminate and any security placed to secure the data centre commitment fee would be returned, as described in paragraph 5.17.

5.40 We anticipate that some existing agreements of data centres in the queue may have existing cancellation charges, securities or liabilities when the value of the data centre commitment fee is introduced for the first time or if the value would increase in the future. We are consulting on two options for how wider cancellation charges already paid/incurred should be treated.

5.41 **Option 1:** other cancellation charges/securities would not be returned.

- This approach is consistent with the underlying rationale for securities: to protect network operators spend and, ultimately, consumers from the costs incurred where network expenditure has been triggered but a project does not proceed. However, it may be perceived as unfair where the customer's decision to terminate is driven primarily by the introduction of the data centre commitment fee, or by a subsequent increase in its value, rather than by a change in the customer's own project requirements or commitment.

5.42 **Option 2**: other cancellation charges/securities would be returned where the customer self-terminates in response to the introduction or increase of the data centre commitment fee.

5.43 This may provide a fairer outcome for customers who consider that the revised financial exposure materially changes the basis on which they accepted or continued with their connection offer. The trade-off is that returning these sums may be less aligned with the purpose of securities, particularly where network operators have already incurred, or are committed to incurring, costs on behalf of that customer. If this option were adopted, further consideration may be needed on whether an alternative mechanism is required to ensure efficient recovery of legitimate abortive costs and to avoid those costs being inappropriately socialised. Furthermore, this option may provide gaming opportunities allowing or encouraging less-viable projects to stay longer in the queue and exploit a potential increase of the data centre commitment fee to terminate and have all cancellation charges returned.

Exemptions and grace periods

5.44 We propose to exempt data centre projects from the commitment fee where their energisation date is within six months of the fee being introduced, with the same approach applying to any future increase or change in the commitment fee, but only relative to the portion of the data centre commitment fee that has changed. This is intended to be a proportionate and balanced approach to implementation, avoiding scenarios where projects which are well-progressed are required to secure the fee only for this to be returned shortly after.

5.45 We have considered that some data centres with existing agreement could have signed a connection offer or received an offer but not yet signed it before the data centre commitment fee is introduced. We propose to allow a grace period for the customers in those scenarios. This is to provide additional time to post the security and decide on their project's prospect. We have considered two main scenarios.

5.46 **Scenario 1**: Developers that signed a connection offer under the new reformed connection process TMO4+

5.47 We propose that these developers would be required to securitise the data centre commitment fee after three months the fee is implemented and becomes applicable.

5.48 **Scenario 2**: Developers that received an offer but have not signed it

5.49 We propose that these developers would be required to securitise the data centre commitment fee after 2 months from when the fee is implemented and becomes applicable.

5.50 The difference in the proposed grace period reflects consideration that customers receiving a connection offer would have three months to sign it, whereas customers that have already signed their offer may need additional time to make decisions regarding the data centre commitment fee.

Questions

Q16. Do you agree with our proposed threshold of 40 MW for which projects should be in scope of the commitment fee? Please provide the reasons for your answer.

Q17. Do you agree with our proposal to apply the data centre commitment fee from offer acceptance to energisation? Please explain your reasoning.

Q18. Do you agree with our proposed definition of data centre, including the proposed approach for self-declaration and verification? Please provide the reasons for your answer.

Q19. Which adjustment process do you prefer regarding the fee value: review at NESO or Ofgem discretion, or periodic review? Do you agree with the frequency proposed for the periodic review? Please provide the reasons for your answer.

Q20. Do you agree with our proposal to adjust the applicability threshold for the data centre commitment fee? Please provide the reasons for your answer.

Q21. Do you agree with our proposed sanction pre-energisation? Please provide the reasons for your answer.

Q22. Do you agree with our proposal to treat the data centre commitment fee as a security and accept existing types of securities? Do you agree with our proposal to pass forfeited securities to consumers through TNUoS charges? Please provide the reasons for your answer.

Q23. Do you agree with our proposal in relation to the treatment of hybrid projects regarding the data centre commitment fee? Please provide the reasons for your answer.

Q24. Do you agree with our proposal in relation to change of use and modification applications? Please provide the reasons for your answer.

Q25. Do you agree with our proposal in relation to treatment of self-terminating projects following an increase of the data centre commitment fee? Please provide the reasons for your answer.

Q26. What option do you prefer regarding other cancellation charges following self-termination: Option 1: being required to pay them or Option 2: not being required to pay them? Please provide the reasons for your answer.

Q27. Do you agree with our proposal in relation to exemptions and grace periods? Please provide the reasons for your answer

Q28. Do you have specific concerns or comments related to the proposals discussed in Chapter 5? Please provide the reasons for your answer.

6. Data centre queue management milestones: policy design

This chapter sets out our proposed policy design for additional data centre queue management milestones. It considers the evidence that data centre projects should provide, the commercial pathways through which they could demonstrate readiness, what happens if a data centre changes pathway, and when each requirement should apply.

6.1 We are proposing additional queue management milestones for data centre projects to help ensure that projects holding network capacity are making genuine progress towards delivery. Rather than introducing new entry requirements on application, we propose a series of evidence-based milestones that reflect how data centres are typically developed and financed. These would require projects to demonstrate progress through customer demand, procurement, financial capability and technical readiness at appropriate stages of development.

6.2 We are also proposing separate pathways for self-operated projects and those intended for lease or sale, recognising that different business models may demonstrate progress in different ways. The aim is to reduce speculative projects remaining in connection queues while avoiding disproportionate requirements that could prevent viable projects from progressing. We are consulting on the proposed evidence requirements, pathway structure and timing of these milestones.

Policy Development

6.3 In our Call for Input, we said we would consider strengthened readiness requirements for data centre projects to ensure projects entering or remaining in the demand connections queue are mature, viable and capable of progressing. We stated that these requirements should be clear, objective and measurable.

6.4 Responses to the Call for Input showed broad support for stronger queue management requirements. Respondents generally supported clearer evidence of maturity, but emphasised that requirements should be proportionate, stage-appropriate, consistent across transmission and distribution, and avoid duplicating existing queue management processes. The queue management measures identified were financial backing, planning, long-lead procurement, commercial offtaker, flexibility-based readiness criteria and developer track record.

6.5 As we explained in our summary of the responses, we are not taking forward planning or flexibility-based readiness criteria. However, we are progressing compute offtaker (referred to in previous publications as 'anchor customer' or 'commercial offtaker'), long-lead procurement, financial backing and a new requirement developed through discussion with industry: technical capability. A compute offtaker is the organisation that has agreed to buy or use the computing power produced by a data centre.

Development history

6.6 We have considered the introduction of a 'look back test' or other assessment of developer track record which was raised by respondents to our Call for Input. Such a measure would test for whether a developer had a track record of progressing data centre projects to energisation. A few respondents proposed that developers which repeatedly fail to progress projects should face restrictions on submitting future connection applications.

6.7 We are not progressing such a measure at this time. As noted by respondents, a developer track-record test could create barriers to entry for new market participants and may disadvantage developers without an established UK data centre portfolio.

6.8 While we are not proposing a look back test through this framework, the proposed milestone regime could establish an evidence base that informs future consideration of developer behaviour and project progression. We discuss this possibility further later in this chapter in paragraph 6.29.

Milestones vs queue entry requirements

6.9 In our Call for Input, we considered whether these requirements should apply as queue entry requirements or progression milestones. Having considered responses and subsequent stakeholder engagement, we propose introducing data centre-specific progression milestones – and not change or add to existing queue entry requirements.

6.10 A milestone-based approach should avoid imposing disproportionate barriers too early, while still testing projects at points aligned with how data centres are developed, financed and delivered. We consider this better reflects the development cycle of data centre projects, as some evidence may not be available at application or offer acceptance. Together with the data centre commitment fee and existing TMO4+ entry requirements, this should provide a sufficient entry test while ensuring stronger evidence is required as projects mature.

6.11 These new milestones will sit alongside the existing NESO queue management milestones[25] and those for distribution network operators that exist in the current Energy Networks Association guidance.[26]

Pathways

6.12 We propose two pathways, selected by the developer according to the intended commercial model:

- Self-operation Pathway
- Lease or Sale Pathway

6.13 Both pathways would apply the same queue management milestones but allow developers to demonstrate a credible end use for connection capacity through evidence appropriate to their business model.

6.14 **Self-operation Pathway:** Under the proposed Self-operation Pathway, the developer would show that it, or a relevant group company, intends to develop and operate the data centre. This could include a hyper-scaler or an operator providing managed space and services. Evidence would focus on self-operation and, where relevant, use by retail customers.

6.15 **Lease or Sale Pathway:** Under the proposed Lease or Sale Pathway, the developer would demonstrate a credible route to a tenant, purchaser or third-party operator. Evidence would focus initially on the intended transaction and prospective counterpart, before progressing to evidence of a firm commercial commitment.

6.16 **Projects using both models:** We also propose that projects combining self-operated capacity with capacity intended for Lease or Sale should be able to use both pathways. Such projects would provide pathway-specific evidence for each element of the development without duplicating common evidence requirements.

6.17 We propose this structure because compute offtaker evidence is likely to provide the strongest indication of genuine demand, but the form that evidence takes differs between business models. A single evidence route could therefore favour one model over another or require evidence that may not reasonably be available for certain types of projects.

[25] National Energy System Operator, *Updated Queue Management Guidance* (December 2025).
[26] Energy Networks Association, *Queue Management User Guidance* (September 2025).

Data centre queue management milestones timing

6.18 **New milestone naming:** We propose that the following data centre-specific queue management milestones are named following the existing NESO and distribution network operator queue management milestones so that they fit into that system. The new milestones start with the same 'm' denoting 'milestone' as the existing milestones. The number following this denotes the order in which the milestones must be met, and this is then followed by the suffix 'Dc' (data centre) to make it clear that these milestones apply to data centre projects only.

6.19 **New milestone timing:** We propose that these data centre requirements should be at M0.5.Dc, M2.Dc and M6.Dc. We developed these timings through detailed discussions with data centre developers and other industry participants, who broadly considered that the relevant evidence could be requested at those stages. The timings are intended to reflect when evidence would ordinarily be available while ensuring each milestone meaningfully tests continued progress.

6.20 As proposed, M2.Dc and M6.Dc are required at the same time as the existing M2 and M6 deadlines; only M0.5.Dc is required at a new and earlier time, which would be before M1 for all data centre projects. To be clear, data centres would have to meet these new milestones in addition to the existing queue management milestones.

Proposed evidence requirements

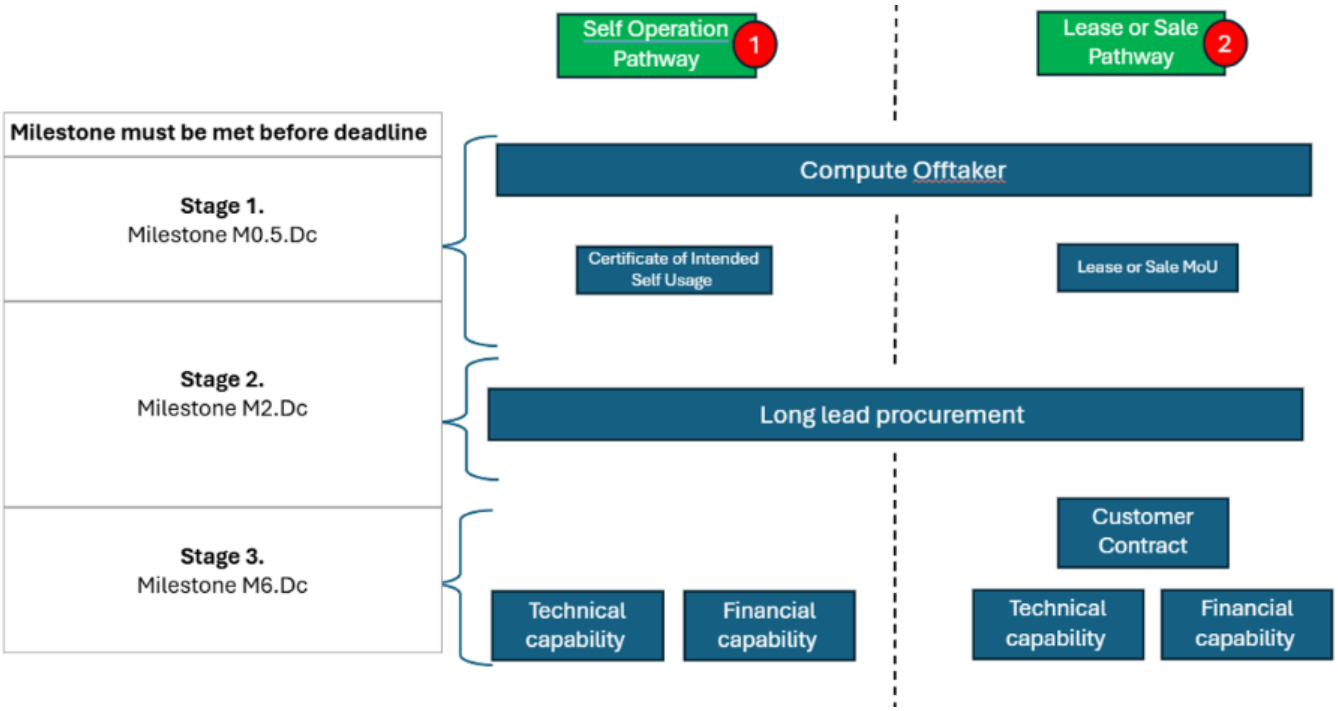
6.21 The proposed evidence requirements for each milestone are:

- **M0.5.Dc**: Pathway selection and non-binding compute offtaker evidence
- **M2.Dc**: Long-lead procurement evidence
- **M6.Dc**: Financial capability evidence and technical capability evidence. For projects using the Lease or Sale Pathway, binding compute offtaker evidence would also be required

6.22 We consider these timings broadly reflect when a credible project should ordinarily be able to provide the relevant evidence, while ensuring readiness is tested before final investment decision and construction. The detailed policy design for each requirement is discussed later in this chapter. We welcome views on whether alternative timings would be more appropriate.

6.23 Flowchart 1 illustrates these when these new milestones would be required depending on each pathway.

Flowchart 1: Data centre milestones for each pathway



6.24 **How these new milestones will work:** Appendix 1 displays how the proposed data centre-specific milestones would interact with the existing NESO queue management milestones. The columns show the time remaining until the connection date, while each row shows the deadline by which the relevant milestone must be met. For example, a project due to connect in 2 to 3 years would need to satisfy M1 no later than 18 months before its connection date.

Change of pathway

6.25 We recognise that a data centre project's intended commercial model may change during development. A project initially intended for Self-operation may subsequently move to a Lease or Sale model, or vice versa. We do not intend for the framework to prevent legitimate changes in business model where these reflect genuine commercial developments.

6.26 Pathway change proposal - we therefore propose allowing a project to change between the Self-operation Pathway and the Lease or Sale Pathway once during the life of the project. Further pathway changes would not be permitted.

6.27 We propose this restriction to reduce opportunities for gaming and to encourage projects to commit to a credible commercial route at an early stage. Without such a restriction, projects could seek to avoid or delay evidence requirements by moving between pathways.

6.28 Where a project changes pathway, it would be required to provide any evidence that would have been required under the new pathway up to that point in development. The developer would have six months from the date of the pathway change to provide the relevant evidence. Failure to provide the required evidence within that period would be treated as a failure to satisfy the applicable data centre queue management milestones requirements and would result in the relevant consequences outlined in Chapter 7.

6.29 Concept of a backward-looking assessment - We are considering whether, instead of limiting projects to a single pathway change, the data centre-specific milestone regime could establish a clear evidence base for a future backward-looking assessment of developers that routinely change pathway or fail to progress projects. Any future approach would need to avoid an overly broad developer track-record test that could disadvantage new entrants or established international developers, by focusing specifically on performance against the UK data centre requirements introduced through this regime.

Proposed Milestone Requirements

Compute offtaker evidence (M0.5.Dc and M6.Dc)

6.30 **Purpose of the requirement:** We propose introducing a requirement for relevant data centres to provide evidence of a compute offtaker for their project. We consider this would deter speculative applications which would lock up scarce grid resources by requiring projects to demonstrate there is a credible end-user for their project.

6.31 Respondents expressed a range of views on compute offtaker evidence as a readiness requirement. While many considered it a strong indicator of project seriousness, they also raised concerns about the timing of any requirement, the confidentiality of commercial arrangements, the risk of circularity where agreements depend on connection certainty, and the need to accommodate different business models.

6.32 **Proposed milestone requirement:** We propose:

- Non-binding compute offtaker evidence at M0.5.Dc, the first data centre progression milestone after accepting a connection offer
- Binding compute offtaker evidence at M6.Dc

6.33 **Why M6.Dc?:** We propose M6.Dc because it is the final milestone before M7 project commitment. By this stage projects should ordinarily be able to demonstrate customer demand, while still allowing speculative projects to be identified before final investment and construction decisions are made.

6.34 **Form of evidence:** Non-binding evidence could include Heads of Terms or a Memorandum of Understanding. Binding evidence could include a Master Services Agreement or another binding customer contract. We are consulting on the appropriate level of binding evidence that should be required under the Lease or Sale Pathway at M6.Dc.

6.35 Our starting view is that any binding customer contract is strong evidence of readiness, but that the strength of that evidence will depend on the scale and duration of the customer commitment. We are considering three options, summarised below and then covered in more detail:

- **Option 1:** binding commitment for some compute capacity, with no minimum duration
- **Option 2:** binding commitment for at least 20% of compute capacity for at least one year
- **Option 3:** binding commitment for at least 50% of compute capacity for at least one year

6.36 **Evidence requirements**:

- **Option 1:** Binding commitment for some compute capacity, with no minimum duration. This option would require a binding customer contract or equivalent arrangement for at least some compute capacity from the data centre, with no minimum duration. This would be the most flexible option and would be more likely to accommodate different data centre business models, including colocation business models. However, it would provide the weakest evidence of overall project readiness, as a small or short-term commitment may not demonstrate that the project has secured meaningful customer demand.
- **Option 2:** Binding commitment for at least 20% of compute capacity for at least one year. This option would require a binding customer contract covering at least 20% of the data centre's compute capacity for at least one year. This would provide stronger evidence of customer demand than Option 1, while recognising that some data centres will contract with multiple customers over time. This would provide stronger evidence of customer demand than Option 1 while recognising that some data centres will contract with multiple customers. It may therefore provide a proportionate balance between evidence strength and deliverability.
- **Option 3:** Binding commitment for at least 50% of compute capacity for at least one year. This option would require a binding customer contract or equivalent arrangement covering at least 50% of the data centre's compute capacity for at least one year. This would provide the strongest evidence that

the project has secured meaningful customer demand and is commercially mature. However, it may be more difficult for some multi-customer colocation projects to meet.

6.37 We are minded to select Option 2. This is the most proportionate. It would require a material binding customer commitment while remaining achievable for viable multi-customer projects.

6.38 We welcome views on whether this is the right approach, including whether the percentage threshold or minimum contract duration should be higher, lower, or designed differently for different data centre business models.

6.39 **Assessment approach:** We propose that NESO or the relevant distribution network operator should assess whether the evidence is current, valid, attributable to the relevant data centre project and consistent with the project's selected pathway. The assessment should confirm that the evidence identifies the relevant parties and project, has been agreed or signed by appropriately authorised representatives, and demonstrates a credible commitment to use, operate, lease or purchase the relevant compute capacity.

6.40 At M0.5.Dc, the network operator would confirm that the evidence constitutes a genuine non-binding commercial arrangement, such as heads of terms or a memorandum of understanding. At M6.Dc, where binding evidence is required, it would also confirm that the arrangement is legally binding and meets the applicable requirements for the proportion of compute capacity and minimum contract duration.

Long-lead procurement (M2.Dc)

6.41 **Purpose of the requirement:** We consider that evidence of long-lead procurement can provide an objective indicator that a project intends to proceed to construction, helping to distinguish projects that are actively progressing from those potentially retaining network capacity without a realistic delivery route.

6.42 Therefore, we are proposing a long-lead procurement requirement for data centres to demonstrate genuine progression towards delivery. The procurement of key electrical equipment requires material financial commitment and is usually undertaken only following a project reaching a sufficient level of maturity.

6.43 **Proposed milestone requirement:** We propose that relevant data centre projects should provide evidence at M2.Dc that they have entered a genuine and material commitment to procure electrical equipment needed to connect and operate the project.

6.44 We are consulting on whether evidence of the procurement of transformers, switchgear, or other long-lead electrical equipment would provide an appropriate test of project progression.

6.45 **Why M2.Dc?**: Industry engagement undertaken during policy development indicated that major electrical equipment, particularly transformers and switchgear, often needs to be ordered well in advance of construction due to manufacturing and delivery lead times.

6.46 We therefore consider M2.Dc to be the appropriate point at which to test whether a data centre has moved beyond initial project development and committed resources towards delivery. Requiring procurement evidence earlier could impose costs before projects would ordinarily place such orders, while requiring it later may reduce its value as a progression milestone.

6.47 **Evidence requirements:** We propose that evidence should demonstrate the existence of a genuine procurement commitment and provide sufficient information for the relevant network operator to assess whether the procurement is credible in the context of the proposed connection.

6.48 Evidence could include information relating to:

- the equipment procured
- the intended connection voltage
- the equipment rating, where relevant
- the supplier or contractual counterparty
- the date of the procurement commitment
- the expected delivery date
- where appropriate, the value of the procurement commitment

6.49 Acceptable evidence could include:

- a purchase invoice
- an executed procurement contract
- a binding supplier commitment

6.50 **Assessment approach:** Engineering input obtained during policy development suggests that transformer configurations can vary significantly between projects of equivalent capacity. A project may utilise multiple smaller transformers rather than a single large unit, while switchgear requirements are often driven by voltage and system design considerations rather than demand capacity alone.

6.51 We therefore do not currently propose prescribing a single equipment type, quantity or specification as a universal requirement.

6.52 Instead, we are considering an approach that would allow NESO and distribution network operators to assess whether the procured equipment is broadly consistent with the project's expected connection requirements. This could include consideration of factors such as connection voltage, project design and equipment rating, while avoiding the need to prescribe a single engineering solution for all projects.

6.53 We welcome views on the proposed scope of the long-lead procurement requirement, the evidence that should be required to demonstrate a genuine procurement commitment, and the appropriate assessment approach. Relevant consultation questions are set out at the end of this chapter.

Financial backing/creditworthiness (M6.Dc)

6.54 **Purpose of the requirement**: We consider that financial capability evidence can provide an objective indication that a project has access to the resources needed to progress towards construction and operation. This would help distinguish projects with a credible route to delivery from those that may be retaining network capacity without a realistic means of proceeding.

6.55 We therefore propose that relevant data centre projects should demonstrate that the developer, project company or another entity supporting the project, has sufficient financial standing or legally committed financial support. The requirement is not intended to prescribe how a project must be financed, but to establish that its proposed route to delivery is financially credible.

6.56 **Proposed milestone requirement:** We propose that developers should demonstrate financial capability through either an investment-grade credit rating or legally committed financial support.

6.57 **Why M6.Dc?:** M6 is the point at which the project must agree a construction plan demonstrating how it will progress its works to meet the relevant commissioning and completion dates. By this stage, the project's commercial route, design and delivery arrangements should be sufficiently developed to demonstrate that it has access to appropriate financial resources.

6.58 **Evidence requirement:** We propose that a project should be able to satisfy the financial capability requirement through either of the following routes:

- Credit rating would be evidence of an investment-grade long-term credit rating held by the developer, the relevant project company or a parent company providing financial support to the project. An investment grade

credit rating would be at least BBB- where issued by Standard & Poor's; BBB- where issued by Fitch; or Baa3 where issued by Moody's.

- Financial capability would be evidence of legally enforceable credit support committed to the project, which could include a bank letter of credit, cash deposit, collateral or another equivalent form of financial security.

6.59 We recognise that many data centre projects are developed through special purpose vehicles and may not hold a standalone credit rating. A requirement based solely on external credit ratings could therefore favour larger or more established developers. Providing an alternative credit-support route would allow a wider range of financing structures to demonstrate financial capability while retaining an objective and measurable requirement.

6.60 Where evidence relies on the financial standing of a parent company or another group entity, we propose that the support must be legally committed to the relevant data centre project rather than based only on the wider group's financial position.

6.61 We are also considering whether any credit support requirement should be proportionate to project scale and cost, but have not explored this issue in depth for this consultation.

6.62 If the relevant rating is withdrawn or downgraded below the required level, or the supporting financial arrangement expires, is cancelled or ceases to be enforceable, the developer may be required to notify the relevant network operator and provide replacement evidence within 6 months.

6.63 **Assessment approach:** We propose that NESO or the relevant distribution network operator should assess whether the evidence is current, valid and attributable to the developer, project company or supporting entity identified by the project. For credit rating evidence, this would include confirming that the rating meets the applicable minimum level and continues to be held by the relevant entity. For credit support evidence, the assessment would consider whether the arrangement is legally enforceable, remains in force and is expressly committed to supporting the relevant project.

Technical capability (M6.Dc)

6.64 **Purpose of the requirement:** We developed the proposed technical capability requirements through discussions with industry. Industry participants indicated that an independent, third-party technical certification could provide objective evidence that a data centre project has a sufficiently developed and credible design. We consider that this would help distinguish

projects that are genuinely progressing towards construction and operation from those that remain speculative. The requirement is not intended to prescribe a single technical solution or data centre configuration, but to establish that the project's design has been developed and independently assessed against an appropriate recognised standard.

6.65 **Proposed milestone requirement:** We propose that relevant data centre projects should demonstrate at M6.Dc that their design has been assessed, designed or certified against a recognised data centre technical standard. We propose that a project should be able to satisfy the requirement by demonstrating that they have attained one of the standards set out below, rather demonstrating compliance with multiple standards.

6.66 **Why M6.Dc?:** We consider M6.Dc to be an appropriate point for this requirement because the project's design and delivery arrangements should be sufficiently developed by this milestone. Requiring this evidence earlier could require projects to obtain an assessment before their design is sufficiently mature, increasing costs and potentially requiring repeated assessments as the design develops.

6.67 **Evidence requirements:** We propose that a project should be able to satisfy the technical capability requirement by providing evidence that it has attained one of the following:

- EN 50600,[27] including that an appropriately independent assessor has reviewed the project-specific design documents against EN 50600-1 and the relevant design requirements of the EN 50600-2 series, and has issued a design-conformity certificate;
- Telecommunications Industry Association (TIA)-942 Design Certification[28] from a certification body licensed by the TIA. The certification must relate to the project-specific design documents and identify the applicable version of the standard and rating level;

[27] The British Standard EN 50600 series covers planning and business risk analysis (EN 50600-1), building construction (EN 50600-2-1), power supply and distribution (EN 50600-2-2), environmental control (EN 50600-2-3), telecommunications cabling infrastructure (EN 50600-2-4), and security systems (EN 50600-2-5).

[28] TIA-942 Design Certification is available at rating levels from Rated-1 (Basic Site Infrastructure) to Rated-4 (Fault-Tolerant Infrastructure). The certification covers architecture, electrical, mechanical and telecommunications infrastructure.

- Uptime Institute Tier Certification of Design Documents,[29] including evidence that the certification has been obtained at Tier I, II, III or IV.

6.68 We are proposing that satisfying any one of these options would meet the technical capability requirement. Each provides for an independent assessment of relevant aspects of a data centre's design. TCDD focuses specifically on the project's design documents, while EN 50600 and TIA-942 cover a broader range of data centre infrastructure and design requirements.

6.69 We are consulting on whether these three options provide an appropriate and proportionate test of technical capability. We also welcome views on whether other recognised technical standards or certifications should be accepted, including where a specialist data centre may reasonably use a different certification.

6.70 **Assessment approach**: We propose that NESO or the relevant distribution network operator should assess whether the certification has been achieved is current, project-specific and provided by an appropriately independent organisation. The assessment would confirm that the applicable standard has been attained and has been reached by M6.Dc.

Expected outcomes

6.71 The proposed data centre-specific queue management milestones are an objective and transparent framework to establish as clearly as possible for NESO and distribution network operators whether projects are continuing to progress towards delivery. Requiring evidence aligned with key stages of project development, the proposals should improve the identification of projects that are unlikely to proceed and therefore support more effective use of available connection capacity.

6.72 The milestone pathway structure is intended to accommodate different data centre business models while maintaining a consistent readiness standard. Aligning the requirements with existing queue management milestones should also minimise duplication and reduce administrative complexity.

6.73 The proposals would impose additional requirements on developers, including the need to provide commercial, procurement, financial and technical evidence at specified stages of project development. Some requirements may be more challenging for certain business models or financing structures than others. There

[29] Uptime Institute Tier Certification of Design Documents (TCDD) assesses project design documentation against Tier I (Basic Capacity), Tier II (Redundant Capacity Components), Tier III (Concurrently Maintainable) and Tier IV (Fault Tolerant) requirements covering mechanical, electrical, structural and site design elements.

is also a risk that requirements set too early, or at an inappropriate level, could affect projects that are otherwise viable. The proposed milestone timings and pathway structure are intended to mitigate these risks.

6.74 Through this consultation, we welcome views on whether the proposed requirements are proportionate, objective, measurable and available at the proposed milestones stages. Consultation responses will also help inform whether alternative forms of evidence, different timing arrangements or changes to the pathway structure would better achieve the policy objectives.

Questions

Q29. Do you agree with our proposed data centre queue management milestone measures?

Q30. Which of the three options for binding compute offtake evidence do you consider most appropriate, and why? Do you agree with our minded to position of a requirement for at least 20% of compute capacity for at least one year?

Q31. For the compute offtake threshold, should the percentage threshold or minimum contract duration should be higher, lower, or designed differently for different data centre business models?

Q32. For the long-lead procurement requirement, should the requirement cover transformers and switchgear only, or should other long-lead electrical equipment be accepted?

Q33. For the long-lead procurement requirement, should equipment be assessed against indicative voltage-linked ranges, or should NESO and distribution network operators assess whether it is appropriate to the project's particular connection and design?

Q34. Do you agree with our proposal to require data centre projects to demonstrate financial capability through either an investment-grade credit rating or legally enforceable credit support committed to the project?

Q35. For financial capability, should a credit rating held by the developer, project company or a financially supporting parent company be accepted, and what evidence should demonstrate that parent-company support is committed to the relevant project?

Q36. Are investment grade credit ratings, BBB– from Standard & Poor's or Fitch and Baa3 from Moody's, appropriate minimum ratings?

Q37. What alternative forms of credit support should be accepted, including letters of credit, cash deposits, collateral, committed financing facilities or other equivalent security?

Q38. Should the amount of credit support be linked to the project's capacity, expected capital cost, remaining development expenditure or another measure, and how should it be calibrated?

Q39. Do you agree that evidence relating to EN 50600, TIA-942 or Tier Certification of Design Documents should satisfy the proposed technical capability requirement at M6.Dc? Are there other standards or certifications that should be accepted, and why?

Q40. If you don't agree with our proposed technical and financial capability tests, how would you change them? What other financial and technical capability tests could we use?

Q41. Do you agree with our proposal to structure the data centre queue management milestones framework around distinct Self-operation and Lease or Sale Pathways? Please explain whether the proposed pathways accurately reflect data centre business models and identify any models that would not be appropriately accommodated.

Q42. Do you agree with our proposed timing for each evidence requirement, including pathway selection and MoU at M0.5.Dc, long-lead procurement at M2.Dc and firm compute offtaker evidence at M6.Dc? Please provide evidence on when viable, non-speculative projects can ordinarily supply each form of evidence.

7. Data centre queue management milestones: implementation

This chapter sets out how the proposed data centre queue management milestones would be implemented. It considers which projects should be in scope, how the framework should operate, the treatment of existing and future projects, and the regulatory, contractual and governance changes required to give effect to the proposals.

7.1 Implementing the proposed milestones raises several questions about which projects should be subject to additional queue management milestones, how requirements should be applied and maintained over time, and how the requirements should be incorporated into the existing regulatory and contractual landscape. Different implementation approaches balance queue discipline, proportionality and administrative burden.

7.2 We are consulting on the implementation of the proposed data centre queue management milestones across transmission and distribution networks, including the projects that should be in scope, the operation of the framework in practice, and the changes required to existing codes, licences, contracts and supporting arrangements.

Scope of the framework

7.3 The effectiveness of the proposed framework will depend on which projects are captured by the additional data centre queue management milestones. In this section, we consider the capacity threshold for application of the framework, whether the requirements should apply to both transmission and distribution-connected projects, and how they should apply to existing and future projects.

7.4 **Applicability threshold:** We have considered whether to apply a threshold for the application of the data centre queue management milestones. We have considered the following threshold options and favour Option 2: a 10 MW threshold. We consider this option strikes a balance between proportionality, while avoiding the creation of a cliff edge on data centres between 10 MW and 40 MW under Option 1:

- **Option 1 - Threshold aligned with the data centre commitment fee:** Use the same applicability threshold established for the data centre commitment fee. The main benefit of this option would be its relative simplicity to implement and that it will target the same projects for both the data centre commitment fee and data centre queue management milestones.

This option would also have the potential to target the projects with most impact on the queue. However, this option would create a cliff-edge incentive for projects to state that they are below 40 MW rated IT load to avoid both the data centre queue management milestones and the data centre commitment fee. This option may also generate perceived unfairness because not all data centres would be targeted.

- **Option 2 - 10 MW rated IT load threshold:** A threshold of a rated IT load of 10 MW in line with the Cyber Security and Resilience Bill of a "data centre service in the United Kingdom on an enterprise basis", as set out in Part 2, Chapter 1, paragraph 4 of the bill. As discussed in the section covering the policy design of the data centre commitment fee, the definition will be included in CUSC section 11 and complemented by other elements. The main benefit of this approach is to target more projects than the ones in scope of the data centre commitment fee, but not all data centres in the queue. This could target potential loopholes emerging from a higher data centre commitment fee threshold, as more projects would eventually be targeted by the additional queue management measures. The main downside, however, is that a new threshold in addition to the one set out in the data centre commitment fee would create further complexity in the overall Curate policy package, increasing the risk of projects misunderstanding and confusion.

- **Option 3 – No threshold**: Under this option, there would be no capacity threshold. All data centres would, therefore, be subject to the additional data centre queue management milestones. This would align with the existing queue management milestones approach and would be a more stringent measure, as it would reduce the opportunities for projects to avoid the requirements by falling below a specified threshold. It would also support better monitoring of project attrition following implementation. However, this threshold may disproportionately affect smaller projects that have a limited impact on queue health, because it would be harder for them to provide all the necessary evidence. This could reduce the proportionality and effectiveness of the measure, given the additional effort required to establish and administer it.

7.5 **Transmission and distribution applicability:** We propose that these new requirements should apply to data centre demand projects connected at both transmission and distribution level. However, the implementation route will differ between transmission and distribution to reflect the differing existing frameworks.

7.6 For transmission-connected projects, the queue management requirements would be implemented through amendments to the CUSC and associated contractual arrangements.

7.7 For distribution-connected projects, equivalent obligations would need to be implemented through the relevant distribution network operators' contractual arrangements, together with any Energy Network Association guidance or common industry process needed to give effect to the policy in a consistent and workable way.

7.8 **Existing and future projects:** Implementation will need to distinguish between projects already holding connection offers or agreements when the reforms take effect, and future projects entering the relevant framework after implementation.

7.9 For existing projects, the new requirements would need to be introduced through amendments to the relevant regulatory and contractual framework so that they operate as additional or modified queue management obligations.

7.10 For future projects, the readiness framework should be incorporated into the relevant code and contractual documents from the outset, so that applicants are clear, before accepting an offer or entering the relevant process, what obligations will apply to them and when.

How the framework will operate

7.11 Applying the data centre queue management milestones in practice will require clear arrangements for the submission and assessment of evidence, the treatment of non-compliance and misrepresentation, and the application of exemptions and transitional provisions.

7.12 **Evidence submission and assessment:** From an implementation perspective, the key requirement is that NESO and distribution network operators must have a clear administrative process for receiving, checking and recording readiness evidence, including how they assess whether evidence is valid, incomplete, expired, insufficient or no longer effective.

7.13 The implementation framework will also need to address how projects notify NESO, or the relevant distribution network operator where previously submitted evidence ceases to remain valid, and how replacement evidence is to be submitted and assessed. This is important to ensure that these new requirements operate not only as one-off documentary checks, but as enforceable progression obligations where the relevant requirement is intended to continue.

7.14 **Non-compliance and misrepresentation:** We propose that the consequences of non-compliance should be clear and robust.

7.15 Failure to provide the required evidence by the applicable deadline, or provision of evidence that does not satisfy the relevant requirement, should result in the project being treated as having failed the requirement and may lead to a project being ejected from the connection queue.

7.16 We also propose that material misrepresentation of fact, including the provision of materially false or misleading evidence, or the failure to notify NESO or the relevant distribution network operator where earlier evidence no longer satisfies the requirement, should be treated in the same way.

7.17 **Exemptions and transitional arrangements:** We propose CUSC provisions to exempt data centres with existing agreements that meet the definition and are above a specific threshold, if implemented, and if they have achieved all queue management milestones up to M6 and beyond.

7.18 An additional exemption would apply to data centres in the queue that are due to energise within six months of implementation of the additional data centre milestones. As set out in paragraph 5.40 on exemptions for the data centre commitment fee, projects within six months of energisation are likely to be sufficiently progressed, viable and committed. These one-off exemptions would only apply to existing agreements and are intended to avoid undue administrative burden of providing additional evidence, while reducing the impact on projects close to connection.

7.19 **Grace periods:** We recognise that some data centres may already hold a connection agreement or may have received a connection offer but not yet accepted it, before the additional data centre milestones are introduced. We therefore propose to provide a grace period for customers in these circumstances.

7.20 For developers that have accepted a connection offer under the reformed TMO4+ connection process, each applicable evidence deadline would be extended by six months, taking account of the project's current stage of development. Any later data centre milestone evidence would then be provided in line with the established deadline for the relevant milestone. For developers that have received a connection offer but have not yet accepted it, evidence for the first Curate queue management milestone would be due after the relevant grace period. Any subsequent evidence would be provided in line with the established deadlines for each milestone.

7.21 This proposed difference in grace periods reflects the additional time available to projects that have received, but not yet accepted, a connection offer.

Changes required to implement the framework

7.22 The proposed framework will require changes across codes, licences, contracts and supporting documentation to ensure that the additional data centre queue management milestones are capable of being administered and enforced consistently across transmission and distribution networks. While the policy objective would be common across both frameworks, different implementation routes will be required to reflect the existing governance and contractual arrangements that apply at each level.

7.23 **Transmission implementation:** For transmission, the principal implementation route will be through the CUSC, although NESO may also need to identify relevant contracts and set out an expectation that if NESO has not contacted data centres by a given date, they must proactively contact NESO. Any changes introduced to the CUSC will apply not only for future customers but also to existing customers. Amendments will be needed to:

- CUSC Section 16, to set out the milestone-linked requirements, evidential consequences and related queue management provisions;
- CUSC Section 11, to introduce and maintain the relevant defined terms supporting the readiness framework;
- Consequential changes may also be needed to any associated CUSC provisions, application documents or administrative procedures used by NESO to administer project progression and queue management.

7.24 **Distribution implementation:** For distribution-connected projects, implementation will require changes to contractual arrangements, regulatory reporting requirements and supporting guidance to ensure that the additional requirements can be applied and administered consistently across distribution network operators.

- distribution network operators' contracts with relevant demand projects, so that the readiness requirements are contractually binding;
- The Regulatory Instructions and Guidance (RIGs) for distribution network operators in ED2, specifically, Annex G – Connections.
- distribution network operators queue management guidance or equivalent operational guidance, so that there is a clear process for evidential submission, assessment and enforcement; and
- Any associated industry documentation needed to support a consistent approach across distribution network operators, particularly if the policy is applied across a wider embedded demand framework.

7.25 **Licence changes:** In November 2025[1] we published an update on demand connections reform where we set out the expectation that Distribution network companies reviewed and amended their connection processes and better align with transmission requirements and processes. In April 2026[30] we decided on changes to the regulatory information and guidance (RIGs), which included changes proposed by the Electricity Network Association, on behalf of distribution network operators. We consider there is benefit in making minor, clarificatory changes to the standard electricity distribution licence to ensure alignment between the licence and RIGs.

7.26 We are also consulting on the text of the direction requiring distribution network operators to update the relevant existing contracts (bilateral agreements) with the new requirements.

Expected Impacts

7.27 **Benefits:** The implementation proposals would introduce data centre queue management milestones to relevant transmission- and distribution-connected projects and establish processes for submitting, assessing and maintaining evidence. The principal anticipated benefit is a more consistent and enforceable approach to identifying projects that are progressing and acting where requirements are not met. Applying the framework at both transmission and distribution should reduce opportunities for projects to avoid the requirements by selecting a particular connection route. Clear consequences for non-compliance or material misrepresentation should strengthen the effectiveness of the milestones.

7.28 **Administrative burden:** Implementation would create administrative costs for NESO and distribution network operators, including identifying projects in scope, changing systems and contractual documents, assessing evidence, recording decisions and monitoring whether evidence remains valid. These changes will also introduce administrative burdens for data centre developers; however, it is important to note that this has been designed to be as least burdensome as possible, whilst removing speculative projects effectively from the connections queue. The scale of these impacts will depend on the applicability threshold: a lower threshold would capture more speculative capacity but would increase the number of projects administered and could disproportionately affect smaller projects.

[30] Ofgem, *Notice proposing modifications to the Regulatory Instructions and Guidance (RIGs) RIIO-2 Year 3 for electricity distribution* (April 2026).

7.29 **Transitional impacts and enforceability:** The proposed exemptions and grace periods are intended to reduce impacts on projects that are already advanced or close to energisation. Implementation through the CUSC, distribution network operator contracts, the distribution licence and RIGs should improve enforceability.

Questions

Q43. Do you agree with our options for the thresholds at which the data centre queue management milestones are implemented, and do you agree with our proposed threshold of 10 MW rated IT load? Please provide your reasoning and supporting evidence.

Q44. Do you agree that the data centre queue management milestones should apply to relevant projects connecting at both transmission and distribution? Please explain whether any differences between the transmission and distribution connection processes require a different approach.

Q45. Do you agree with the proposed approach to applying the data centre queue management milestones to existing and future projects? Please identify any circumstances in which different treatment would be appropriate.

Q46. Do you agree with the proposed approach to the submission, assessment and ongoing validity of milestone evidence? What process should apply where evidence is incomplete, has expired, is no longer effective or needs to be replaced?

Q47. Do you agree that failure to provide satisfactory evidence by the applicable deadline should result in the project being treated as having failed the relevant queue management milestone? Please identify any circumstances in which a project should instead be allowed to remedy the failure, and how this could work.

Q48. Do you agree with our proposed exemptions and transitional arrangements for existing data centre projects? Please identify any circumstances in which a different exemption or transitional period would be appropriate.

8. Statutory duties and associated legal documents

This chapter assesses how the proposed reforms align with Ofgem's principal objective, statutory duties, the Strategic Policy Statement and the Planning and Infrastructure Act 2025. It explains how the measures aim to protect consumers, improve demand signals, release capacity for viable projects and support timely, proportionate connections reform. The chapter also considers economic growth and property rights, outlines the proposed use of statutory powers, and summarises supporting legal changes covering CUSC provisions, licences and connection agreements.

8.1 Ofgem is required to act in accordance with its principal objective and other statutory duties when exercising its regulatory functions. When assessing the proposals in this consultation, Ofgem has had regard to its principal objective and each of its various statutory duties. This section sets out current assessment of how proposed changes align to Ofgem's Principal Objective and statutory duties, and the objective of the Planning and Infrastructure Act 2025.[31]

8.2 Alongside this consultation document we have published marked-up legal text changes to give effect to our proposed regulatory policy changes. This section summarises the proposed changes and directs stakeholders to the relevant ancillary documents.

Principal Objective and statutory duties

The principal objective

8.3 The Electricity Act 1989[32] ('EA89'), section 3A, outlines the principal objective of the Authority, which is to protect the interests of both current and future consumers in relation to electricity conveyed by distribution and transmission systems. Section 3A provides that these are their interests as a whole and include, but are not limited to, their interests in the Secretary of State's compliance with the duties under sections 1 and 4(1)(b) of the Climate Change Act 2008 (Net-Zero target for 2050 and five-year carbon budgets); and their interests in the security of the supply of the electricity to them. Section 3A also provides that the Authority will carry out its functions in the manner it considers is best calculated to further the principal objective, wherever appropriate by

[31] While the Authority has a number of other statutory duties (for example, the Public Sector Equality Duty) to which it must have regard, this consultation focuses on those duties most relevant to the Curate proposals.
[32] UK Parliament, *Electricity Act 1989.*

promoting effective competition, and in so doing, will have regard to the need to secure that all reasonable demands for electricity are met, the need to secure that licence holders are able to finance their licensed activities, and the need to contribute to the achievement of sustainable development.

8.4 As set out across this consultation, on balance we consider these duties are positively met by implementing the measures set out in this consultation. The volume of data centres, and their increasing size, is placing the connections process under significant strain. The proposed measures would create more effective and efficient demand signals to ensure the connections process incentivises the right network build and that scarce network capacity is held by projects ready and able to progress to energisation. They do this by deterring speculative and non-viable data centre projects from entering or remaining in the demand queue.

8.5 We will consider responses to this consultation, in addition to responses to our Call for Input and other industry engagement we have already considered – the totality of which has sought to ensure transparency.

Ofgem's duties in relation to the Strategic Policy Statement

8.6 Section 131 of the Energy Act 2013[33] (EA13) allows the Government to designate a Strategic Policy Statement (SPS) setting out the "strategic priorities" (and other main considerations) of the government in formulating its energy policy for Great Britain, and the particular outcomes to be achieved as a result of implementation of that policy (the "policy outcomes"). Under section 132 EA13, Ofgem must have regard to the strategic priorities set out in the SPS when carrying out its regulatory functions and further, must carry out those functions in the manner which it considers is best calculated to further the delivery of the policy outcomes in the SPS (subject to the application of Ofgem's principal objective).

8.7 In May 2024, the Secretary of State designated the SPS.[34] The SPS includes (among others) the following policy outcome:

> *"Significant and urgent reform of the electricity connections regime so that new generation and demand projects critical to net zero can connect to electricity networks in a cost-effective and timely manner, and in a way that meets the needs of connection customers and the energy system as a whole."*

8.8 The SPS also provides that:

[33] UK Parliament, *Energy Act 2013*.
[34] UK Government, *Strategy and Policy Statement for Energy Policy in Great Britain*.

> *"Ofgem should work with ESO/NESO, industry partners and government to urgently address barriers to the efficient and timely connection of new low carbon generation and demand projects critical for net zero to the electricity network. This includes accelerating and significantly reforming the connections process and acting to address current delays, ensuring that connection costs are proportionate, and all network companies deliver strong and consistent customer service."*

8.9 The proposals set out in this document are in line with the SPS.

8.10 Section 108 of the Deregulation Act 2015[35] requires Ofgem to have regard to the desirability of promoting economic growth. In particular, Ofgem must consider the importance for the promotion of economic growth of exercising its regulatory functions in a way that ensures that regulatory action is taken only when it is needed, and that any action taken is proportionate. The impacts on growth are considered throughout this consultation – with one of the key aims of the Curate proposals being to improve connection timelines for viable and non-speculative demand projects, like data centres, and therefore encouraging economic growth. We consider that the proposed measures, which complement connections reform TMO4+ and provide additional market signals, support economic growth.

8.11 The Authority is also aware of the results of the Ofgem Review[36] published by Government this year and believes the proposals in this consultation to be in line with the spirit of that review.

Interference with property rights

8.12 The Authority also has an obligation under Section 6 of the Human Rights Act 1998[37] to act in a way that is compatible with Convention rights, including the right to peaceful enjoyment of possessions. We consider that the proposals in this consultation are a proportionate means of achieving our objectives, and that they strike a fair balance between the public needs pursued and the individual interests of those involved. We have had regard in reaching that conclusion to (among other things) to the exemptions granted in respect of certain projects that are well-developed and the existing flexibility in the regulatory framework as well as current arrangements and practices in relation to connections.

[35] UK Parliament, *Deregulation Act 2015*.
[36] UK Government, *Ofgem Review: Final Report*.
[37] UK Parliament, *Human Rights Act 1998*.

Planning and Infrastructure Act 2025

8.13 The Planning and Infrastructure Act 2025[38] confers powers on the Secretary of State and Gas and Electricity Markets Authority (GEMA) for a time limited period to modify relevant documents (principally regulatory documents such as licences, codes, methodologies and existing connection agreements) for the purposes of improving the process of managing connections to the electricity transmission and distribution systems. This consultation is published pursuant to the relevant sections prescribing the process by which powers conferred in the Planning and Infrastructure Act may be exercised.

8.14 We propose to exercise powers conferred via the Planning and Infrastructure Act 2025 to implement the necessary changes to relevant documents.

8.15 The Planning and Infrastructure Act mandates that any changes implemented via the Act are made:

> *"only for the purpose of improving the process for managing connections to the transmission system or the distribution system (and such an improvement may include changing the order in which connections are made)"*.

8.16 The Authority believes the proposals in this consultation are within the scope of the Act, as set out throughout this consultation.

Supporting legal text changes

8.17 Alongside this consultation document we have published a set of ancillary documents which set out the proposed legal text changes. Below is a table which summarises the document and the relevant changes.

Table 5: Summary table of ancillary documents and relevant required changes

Ancillary document name	**Regulatory document**	**Summary of changes**
Ancillary document 1	Connections and Use of System Code – section 11 – definitions	Changes to include a definition for data centres and other definitions required to support changes to section 15 and section 16 (see below)

[38] UK Parliament, *Planning and Infrastructure Act 2025*.

Ancillary document 1	Connections and Use of System Code – section 6 – Additional Self-declaration requirements for Data centres	Changes to require demand projects and data centres in scope to provide a self-declaration letter, process and consequences
Ancillary document 1	Connections and Use of System Code – section 15 User Commitment Methodology.	Changes to establish the principle and operation of the data centre commitment fee
Ancillary document 1	Connections and Use of System Code – section 16 – Queue Management Process	Changes to introduce data centre specific queue management milestones
Ancillary document 2	Electricity distribution licence – standard licence conditions	Clarificatory changes to align the Regulatory Information and Guidance document and licence with recent changes
Ancillary document 3	Draft direction to electricity distribution licensees	Direction to require licensees vary their connection agreements to include data centre specific queue management milestones
Ancillary document 4	Independent System Operator and Planner licence (NESO)	Introducing the requirement for the ISOP (NESO) to maintain and update the data centre commitment fee statement that will include the commitment fee value and the applicable MW threshold

Questions

Q49. Do you agree that the proposed legal text changes as set out in the ancillary documents give effect to the policy intent as set out in this consultation? Please provide reasons for your answer.

Q50. Do you have any suggestions or comments regarding potential legal text changes to regulatory documents that we did not consider? Please provide reasons for your answer.

9. Consultation questions and next steps

9.1 This section consolidates the consultation questions asked at the end of each chapter.

9.2 Following this consultation we intend to take decisions later in 2026.

Q1. Do you agree with our proposed data centre commitment fee, based on Option 1A? Please provide reasons for your answer.

Q2. Do you agree with our qualitative assessment? Please provide reasons for your answer.

Q3. Is it reasonable to assess the impact of the fee on a hypothetical data centre IRR for a viable project? If not, what alternative basis for an assessment of the impact of the fee on a viable data centre would be more appropriate?

Q4. Assuming your data centre project would progress until energisation, what would be the impact on your IRR if the data centre commitment fee value is set at 2.5% or 7.5% of the average capital costs? Provide reasons and relevant evidence to support your answer.

Q5. Do you agree with the proposed estimate of approximately £9.5 million per MW as the average capital cost of building a data centre? Please provide reasons for your answer.

Q6. Do you agree that capital expenditure is a more appropriate basis than development expenditure for calculating the commitment fee? Please provide reasons for your answer.

Q7. Do you agree that a fee range of 2.5% to 7.5% of average capital costs is proportionate to the policy objective? What value would best balance impact while avoiding undue burden? Please provide reasons for your answer

Q8. Would a fee at the lower end of the proposed range be sufficient to deter speculative or non-viable projects? Please provide reasons for your answer.

Q9. Would a fee at the upper end of the proposed range risk deterring viable, non-speculative projects? Please provide reasons for your answer.

Q10. Do you agree with our assumptions that projects that are speculative/non-viable at point of application (or already in the queue) will not be able to secure such a fee based on any of the selected range? Please provide reasons for your answer.

Q11. If you disagree with Question 10, what assumptions can be improved and how? Please suggest what additional data Ofgem would need to make an informed decision.

Q12. Do you agree that the commitment fee should apply only to data centre projects equal to or above 40 MW that connect to the transmission system or have a transmission impact? Please provide reasons for your answer

Q13. Is 40 MW the appropriate threshold for determining applicability? If not, what threshold should be used and why?

Q14. We have used judgement to set a fee based on the impact on the impact of a fee on a hypothetical data centre's IRR. Are there examples of how this fee is calculated and set in other jurisdictions (for example, USA, Spain, Ireland), that we could base it on to meet our objectives? Can you provide evidence that the regimes are consistent with the UK, and if not, what impact should that have on the calculation of the fee?

Q15. Is there any key element that we did not consider that would improve the quality of our analysis to establish the appropriate data centre commitment fee? Please provide reasons for your answer.

Q16. Do you agree with our proposed threshold of 40 MW for which projects should be in scope of the commitment fee? Please provide the reasons for your answer.

Q17. Do you agree with our proposal to apply the data centre commitment fee for offer acceptance to energisation? Please explain your reasoning.

Q18. Do you agree with our proposed definition of data centre, including the proposed approach for self-declaration and verification? Please provide the reasons for your answer.

Q19. Which adjustment process do you prefer regarding the fee value: review at NESO or Ofgem discretion, or periodic review? Do you agree with the frequency proposed for the periodic review? Please provide the reasons for your answer.

Q20. Do you agree with our proposal to adjust the applicability threshold for the data centre commitment fee? Please provide the reasons for your answer.

Q21. Do you agree with our proposed sanction pre-energisation? Please provide the reasons for your answer.

Q22. Do you agree with our proposal to treat the data centre commitment fee as a security and accept existing types of securities? Do you agree with our proposal to pass forfeited securities to consumers through TNUoS charges? Please provide the reasons for your answer.

Q23. Do you agree with our proposal in relation to the treatment of hybrid projects regarding the data centre commitment fee? Please provide the reasons for your answer.

Q24. Do you agree with our proposal in relation to change of use and modification applications? Please provide the reasons for your answer.

Q25. Do you agree with our proposal in relation to treatment of self-terminating projects following an increase of the data centre commitment fee? Please provide the reasons for your answer.

Q26. What option do you prefer regarding other cancellation charges following self-termination: Option 1: being required to pay them or Option 2: not being required to pay them? Please provide the reasons for your answer.

Q27. Do you agree with our proposal in relation to exemptions and grace periods? Please provide the reasons for your answer.

Q28. Do you have specific concerns or comments related to the proposals discussed in Chapter 5? Please provide reasons for your answer.

Q29. Do you agree with our proposed data centre queue management milestone measures?

Q30. Which of the three options for binding compute offtake evidence do you consider most appropriate, and why? Do you agree with our minded to position of a requirement for at least 20% of compute capacity for at least one year?

Q31. For the compute offtake threshold, should the percentage threshold or minimum contract duration should be higher, lower, or designed differently for different data centre business models?

Q32. For the long-lead procurement requirement, should the requirement cover transformers and switchgear only, or should other long-lead electrical equipment be accepted?

Q33. For the long-lead procurement requirement, should equipment be assessed against indicative voltage-linked ranges, or should NESO and distribution network operators assess whether it is appropriate to the project's particular connection and design?

Q34. Do you agree with our proposal to require data centre projects to demonstrate financial capability through either an investment-grade credit rating or legally enforceable credit support committed to the project?

Q35. For financial capability, should a credit rating held by the developer, project company or a financially supporting parent company be accepted, and what

evidence should demonstrate that parent-company support is committed to the relevant project?

Q36. Are investment grade credit ratings, BBB– from Standard & Poor's or Fitch and Baa3 from Moody's, appropriate minimum ratings?

Q37. What alternative forms of credit support should be accepted, including letters of credit, cash deposits, collateral, committed financing facilities or other equivalent security?

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Q45. Do you agree with the proposed approach to applying the data centre queue management milestones to existing and future projects? Please identify any circumstances in which different treatment would be appropriate.

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Q48. Do you agree with our proposed exemptions and transitional arrangements for existing data centre projects? Please identify any circumstances in which a different exemption or transitional period would be appropriate.

Q49. Do you agree that the proposed legal text changes as set out in the ancillary documents give effect to the policy intent as set out in this consultation? Please provide reasons for your answer.

Q50. Do you have any suggestions or comments regarding potential legal text changes to regulatory documents that we did not consider? Please provide reasons for your answer.

Appendix 1. Data centre queue milestones and existing milestones

Milestone	**2–3 years** (730–1094 days)	**3–4 years** (1095–1459 days)	**4–5 years** (1460–1824 days)	**5+ years** (1825+ days)
M0.5.Dc – Select pathway and submit non-binding compute offtaker evidence	6 months post-connection signature	6 months post-connection signature	6 months post-connection signature	6 months post-connection signature
M1 – Initiated Statutory Consents & Planning Permission	18 months	24 months	36 months	48 months
M2 – Secured Statutory Consents & Planning Permission. **M2.Dc** – Submit Long-lead procurement Evidence	12 months	18 months	24 months	30 months
M5 – Contestable Design Works Submission	12 months	15 months	18 months	21 months
M6 – Agree Construction Plan **M6.Dc** – Submit technical capability and financial capability evidence. Projects using the Lease or Sale Pathway must also submit binding compute offtaker evidence.	9 months	12 months	15 months	18 months
M7 – Project Commitment	6 months	9 months	12 months	15 months
M8 – Initiate Construction (To be met last)	3 months	6 months	12 months	15 months

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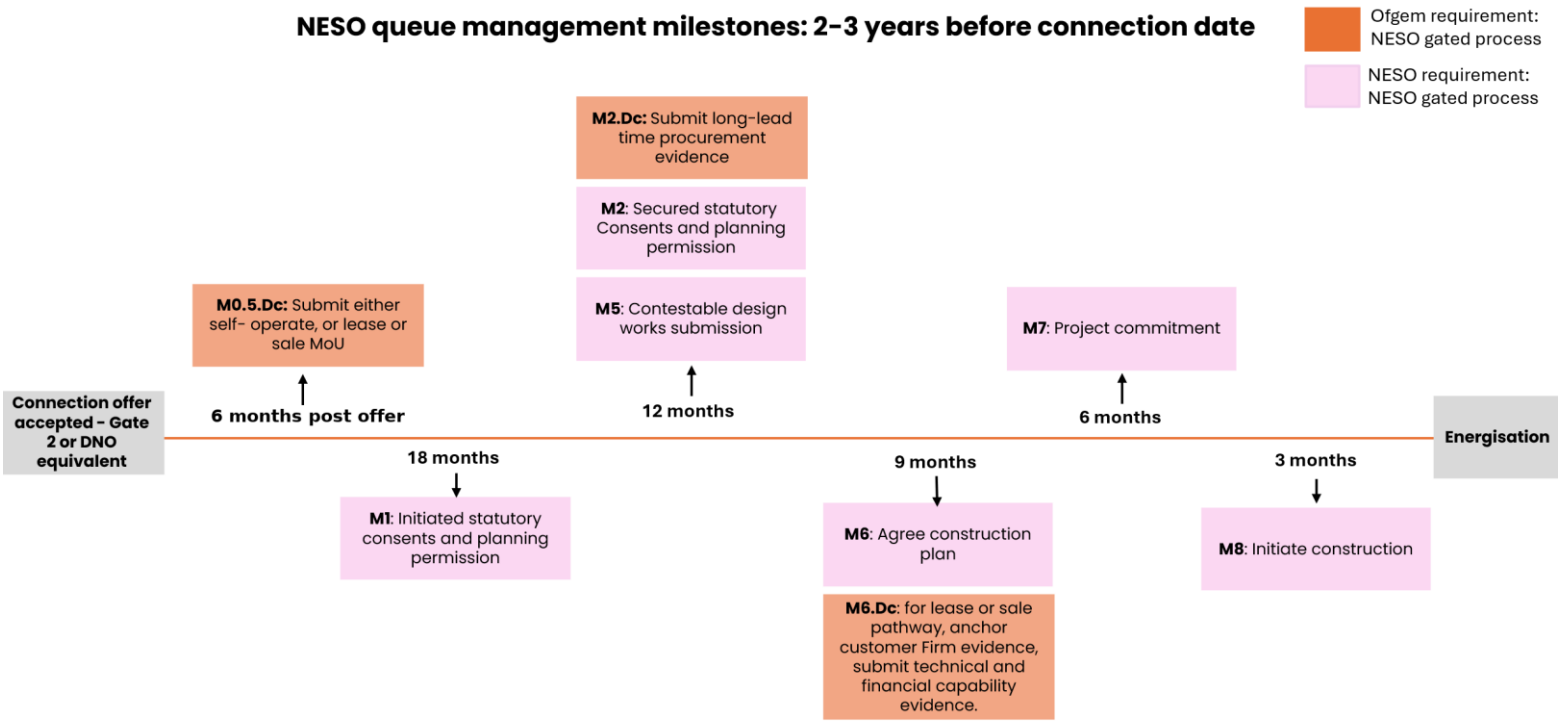

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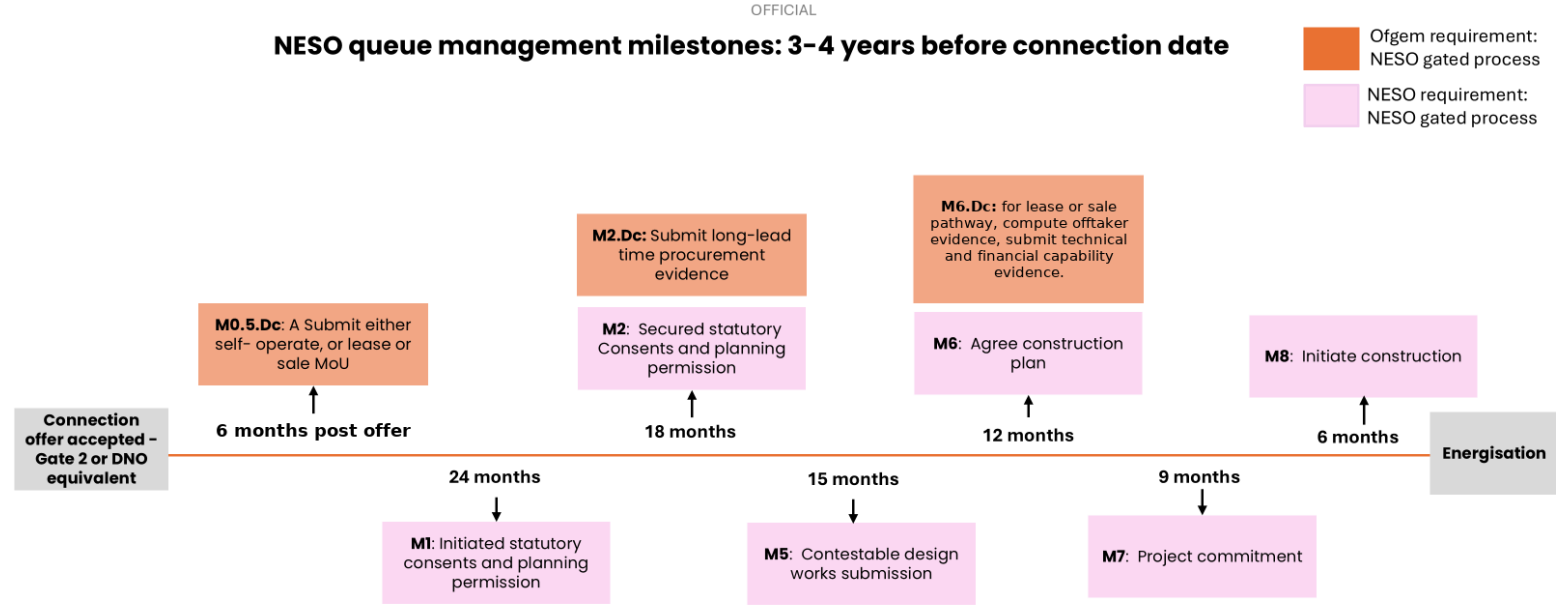

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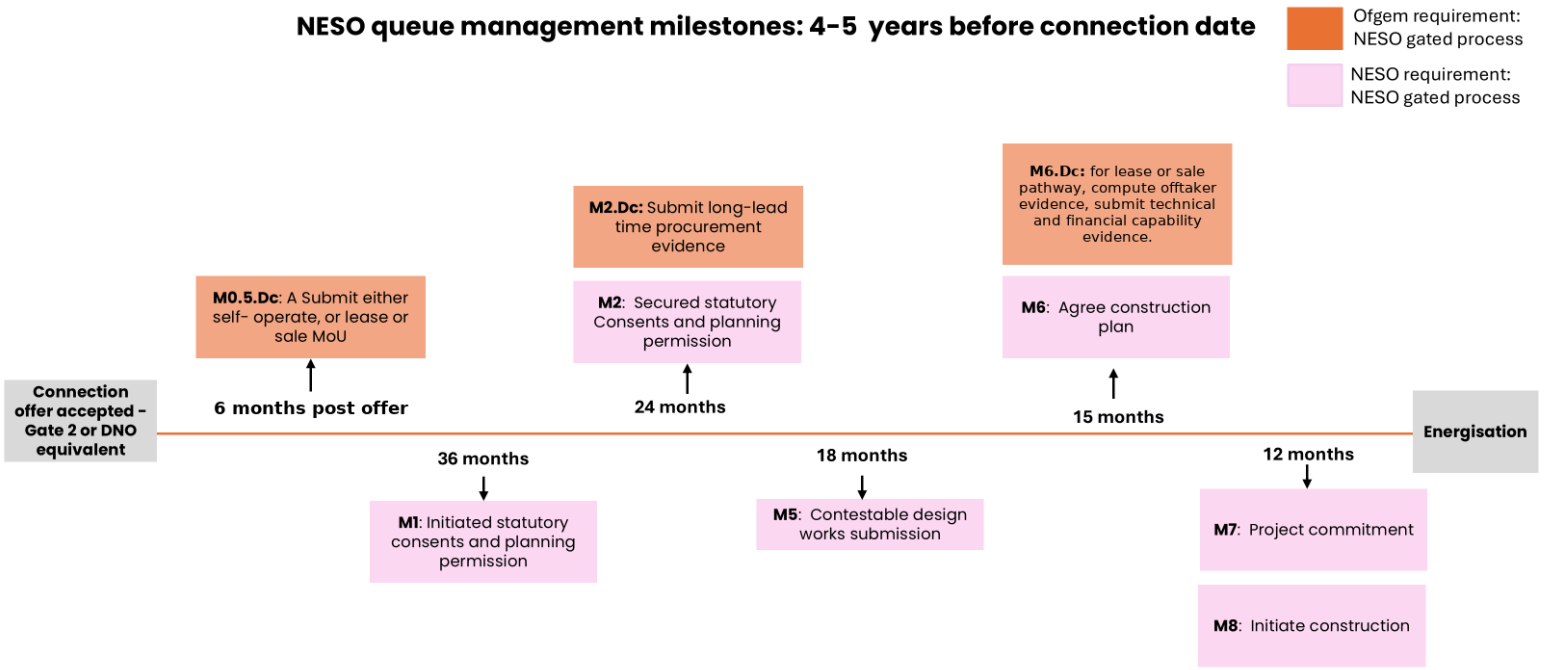
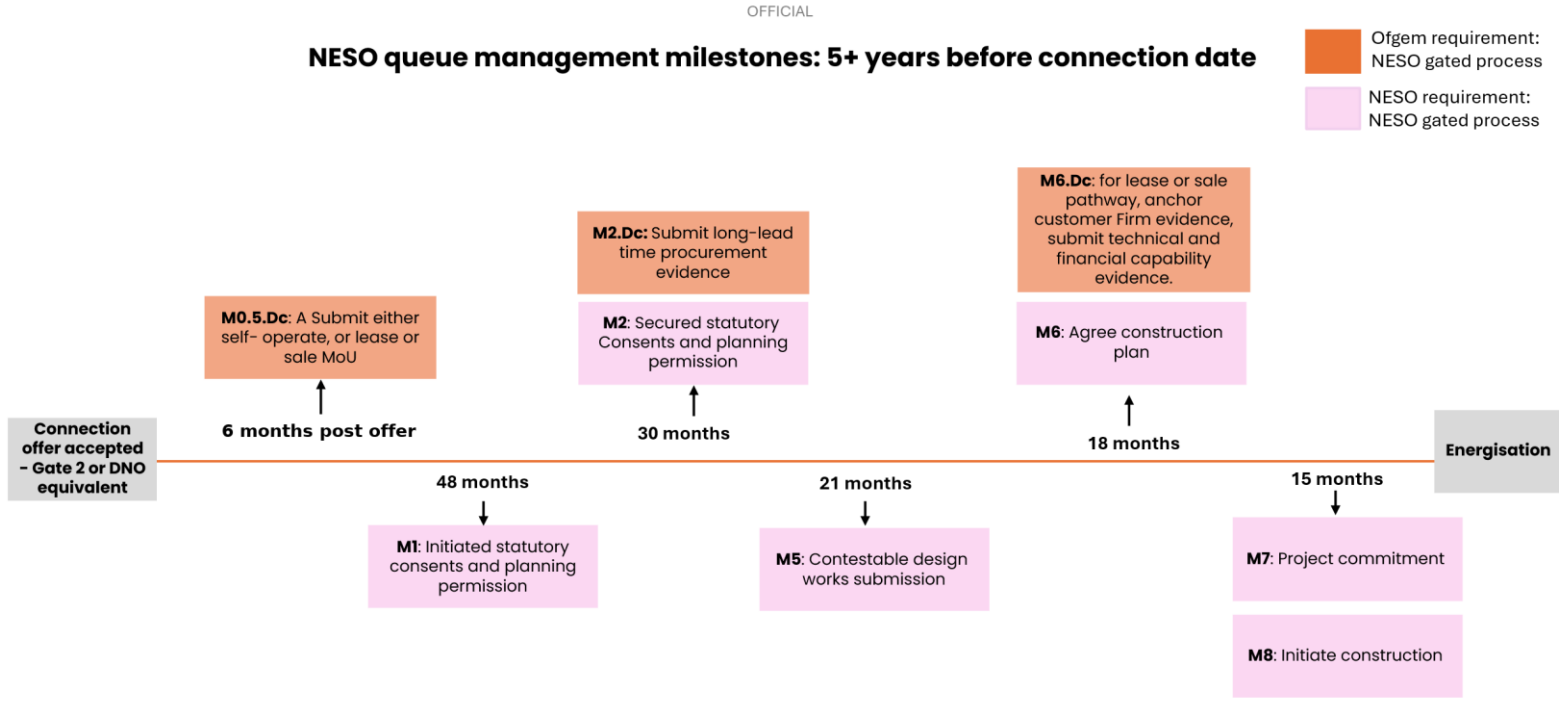
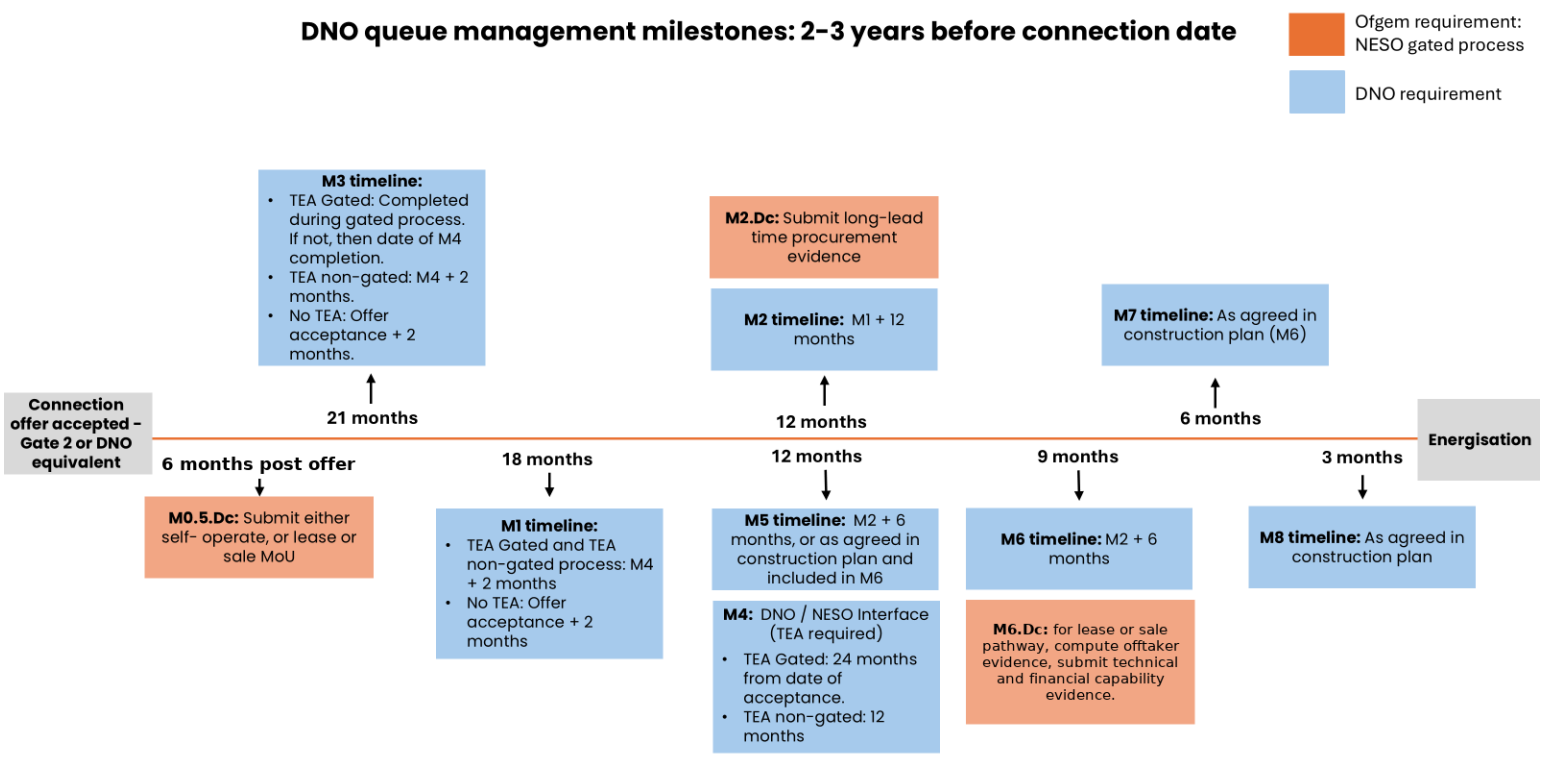
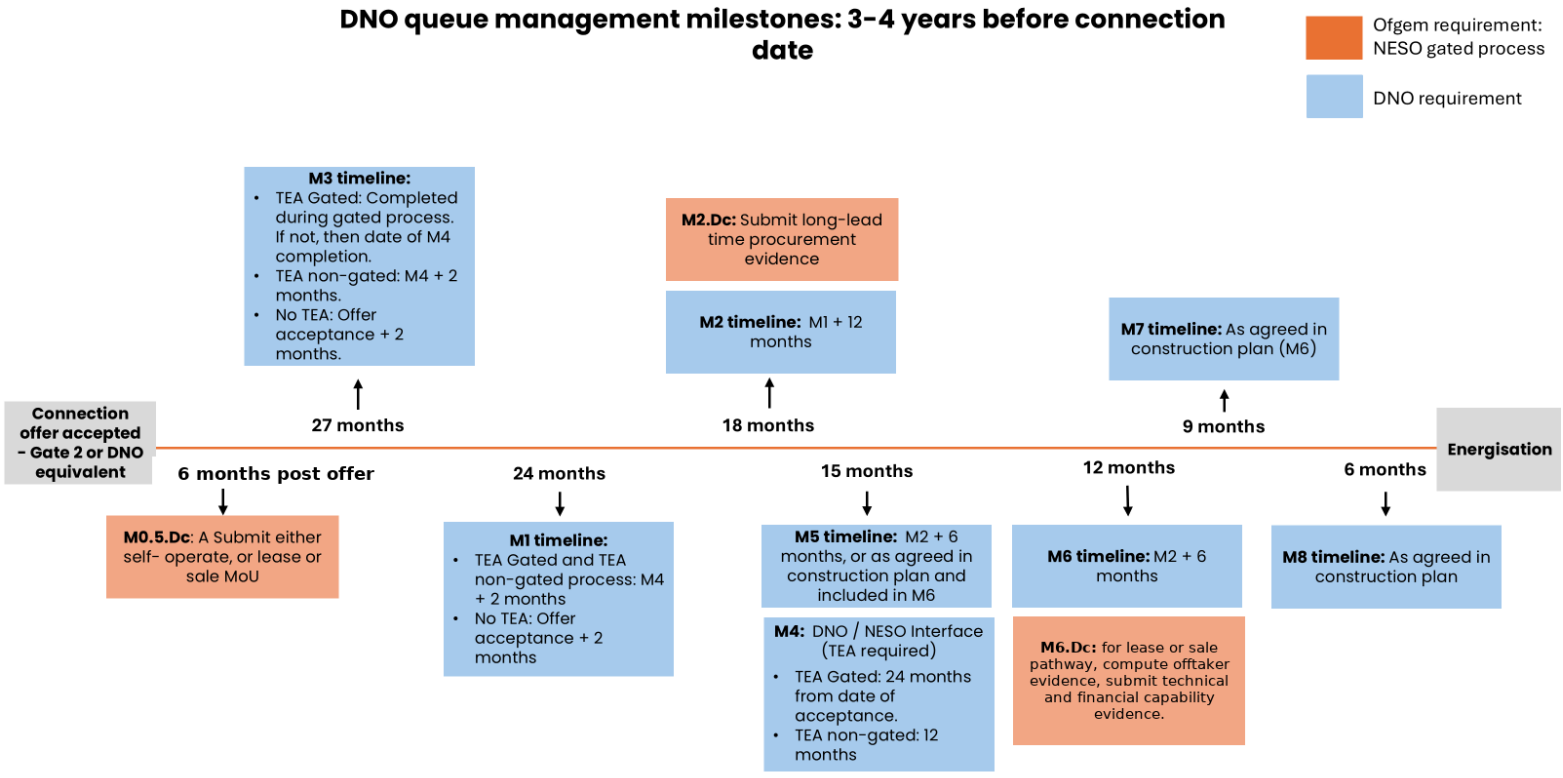
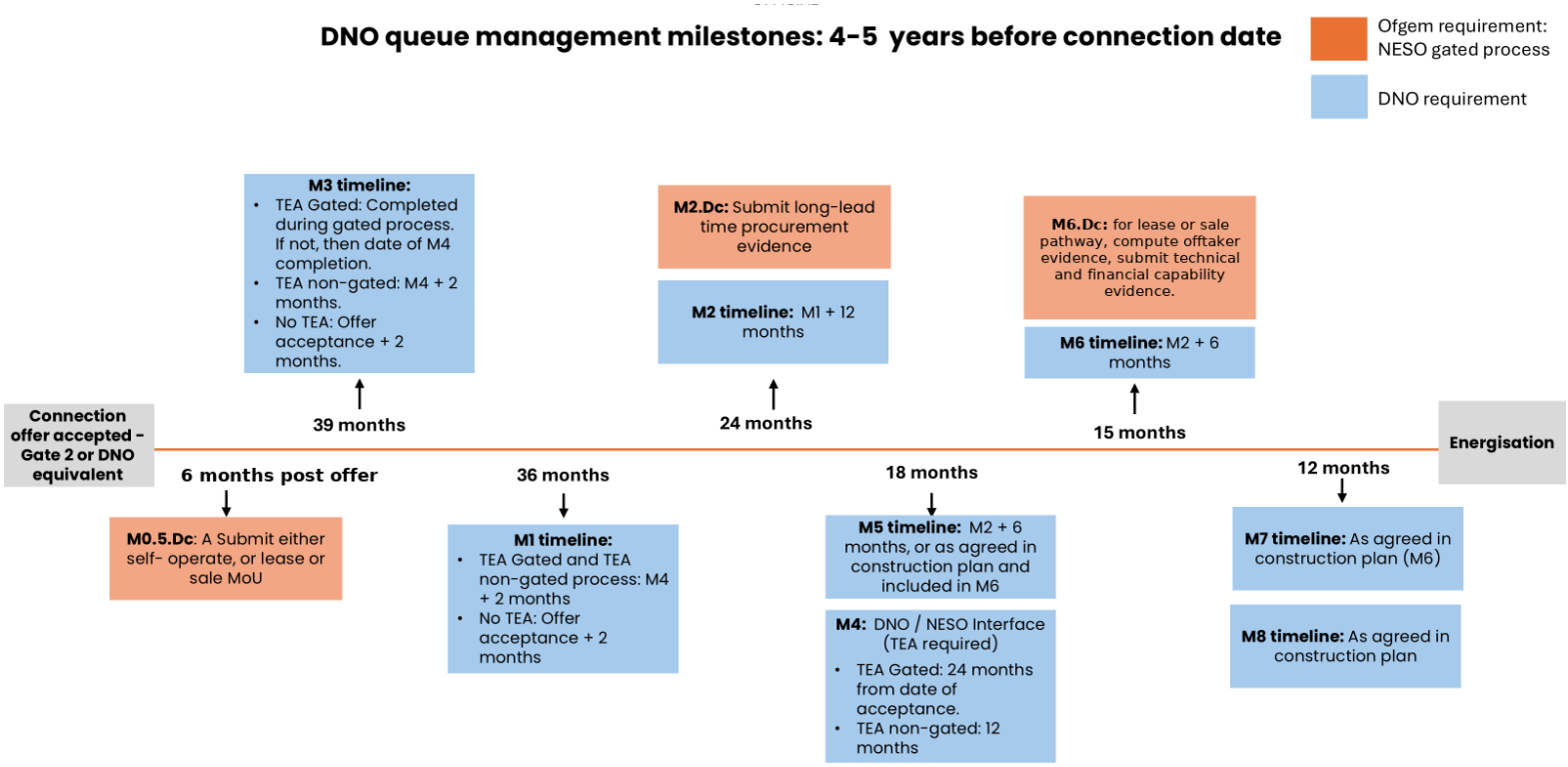
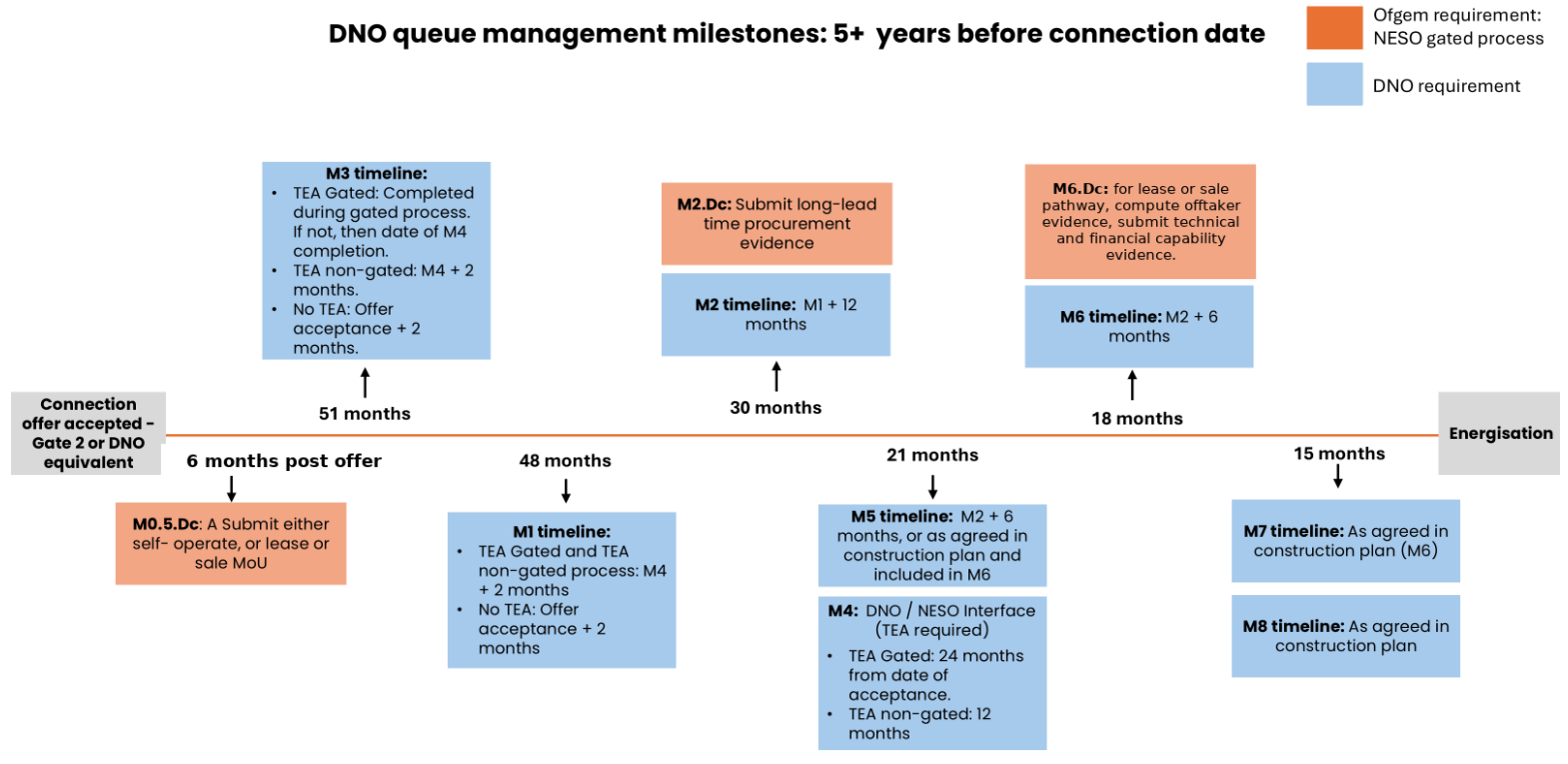





DNO queue management milestones: 2-3 years before connection date
Ofgem requirement: NESO gated process
DNO requirement
M3 timeline:
TEA Gated: Completed during gated process. If not, then date of M4 completion.
TEA non-gated: M4 + 2 months.
No TEA: Offer acceptance + 2 months.
M2.Dc: Submit long-lead time procurement evidence
M2 timeline: M1 + 12 months
M7 timeline: As agreed in construction plan (M6)
Connection offer accepted - Gate 2 or DNO equivalent
21 months
12 months
6 months
Energisation
6 months post offer
18 months
12 months
9 months
3 months
M0.5.Dc: Submit either self- operate, or lease or sale MoU
M1 timeline:
TEA Gated and TEA non-gated process: M4 + 2 months
No TEA: Offer acceptance + 2 months
M5 timeline: M2 + 6 months, or as agreed in construction plan and included in M6
M6 timeline: M2 + 6 months
M8 timeline: As agreed in construction plan
M4: DNO / NESO Interface (TEA required)
TEA Gated: 24 months from date of acceptance.
TEA non-gated: 12 months
M6.Dc: for lease or sale pathway, compute offtaker evidence, submit technical and financial capability evidence.


DNO queue management milestones: 3-4 years before connection date
Ofgem requirement: NESO gated process
DNO requirement
M3 timeline:
TEA Gated: Completed during gated process. If not, then date of M4 completion.
TEA non-gated: M4 + 2 months.
No TEA: Offer acceptance + 2 months.
M2.Dc: Submit long-lead time procurement evidence
M2 timeline: M1 + 12 months
M7 timeline: As agreed in construction plan (M6)
Connection offer accepted - Gate 2 or DNO equivalent
27 months
18 months
9 months
Energisation
6 months post offer
24 months
15 months
12 months
6 months
M0.5.Dc: A Submit either self- operate, or lease or sale MoU
M1 timeline:
TEA Gated and TEA non-gated process: M4 + 2 months
No TEA: Offer acceptance + 2 months
M5 timeline: M2 + 6 months, or as agreed in construction plan and included in M6
M6 timeline: M2 + 6 months
M8 timeline: As agreed in construction plan
M4: DNO / NESO Interface (TEA required)
TEA Gated: 24 months from date of acceptance.
TEA non-gated: 12 months
M6.Dc: for lease or sale pathway, compute offtaker evidence, submit technical and financial capability evidence.


DNO queue management milestones: 4-5 years before connection date
Ofgem requirement: NESO gated process
DNO requirement
M3 timeline:
TEA Gated: Completed during gated process. If not, then date of M4 completion.
TEA non-gated: M4 + 2 months.
No TEA: Offer acceptance + 2 months.
39 months
M2.Dc: Submit long-lead time procurement evidence
M2 timeline: M1 + 12 months
24 months
M6.Dc: for lease or sale pathway, compute offtaker evidence, submit technical and financial capability evidence.
M6 timeline: M2 + 6 months
15 months
Connection offer accepted - Gate 2 or DNO equivalent
Energisation
6 months post offer
M0.5.Dc: A Submit either self- operate, or lease or sale MoU
36 months
M1 timeline:
TEA Gated and TEA non-gated process: M4 + 2 months
No TEA: Offer acceptance + 2 months
18 months
M5 timeline: M2 + 6 months, or as agreed in construction plan and included in M6
M4: DNO / NESO Interface (TEA required)
TEA Gated: 24 months from date of acceptance.
TEA non-gated: 12 months
12 months
M7 timeline: As agreed in construction plan (M6)
M8 timeline: As agreed in construction plan


DNO queue management milestones: 5+ years before connection date
Ofgem requirement: NESO gated process
DNO requirement
M3 timeline:
TEA Gated: Completed during gated process. If not, then date of M4 completion.
TEA non-gated: M4 + 2 months.
No TEA: Offer acceptance + 2 months.
51 months
M2.Dc: Submit long-lead time procurement evidence
M2 timeline: M1 + 12 months
30 months
M6.Dc: for lease or sale pathway, compute offtaker evidence, submit technical and financial capability evidence.
M6 timeline: M2 + 6 months
18 months
Connection offer accepted - Gate 2 or DNO equivalent
Energisation
6 months post offer
M0.5.Dc: A Submit either self- operate, or lease or sale MoU
48 months
M1 timeline:
TEA Gated and TEA non-gated process: M4 + 2 months
No TEA: Offer acceptance + 2 months
21 months
M5 timeline: M2 + 6 months, or as agreed in construction plan and included in M6
M4: DNO / NESO Interface (TEA required)
TEA Gated: 24 months from date of acceptance.
TEA non-gated: 12 months
15 months
M7 timeline: As agreed in construction plan (M6)
M8 timeline: As agreed in construction plan

Appendix 2. Approach to stakeholder engagement

2.1 Alongside, and following the publication of our Call for Input on 13 February 2026 we have undertaken regular stakeholder engagement to inform our regulatory policy development. As set out in our summary of consultation responses published in June 2026 we received 120 responses to our call for input. There was broad support for the proposed measures and interventions set out in the Call for Input.

2.2 In early February, we established two dedicated stakeholder groups to support this work:

a) Curate Project Group – a working-level forum comprising Ofgem, the National Energy System Operator (NESO), distribution network operators (DNOs) and the Department for Energy Security and Net Zero (DESNZ). The group's purpose was to support in the development and refinement of policy options, including considering operational feasibility and implementation challenges.

b) Curate Advisory Group – an external facing advisory forum bringing together Ofgem, DESNZ, NESO, the Energy Networks Association (ENA) and industry representatives, including data centre developers of various types. This group's primary purpose was to provide external challenge and insight, enabling us to test emerging policy solutions and understand potential impacts on affected parties.

2.3 In addition to these structured forums, we have engaged more widely with stakeholders through bilateral meetings and industry events. This programme of engagement has provided valuable evidence on stakeholder priorities, potential risks, and implementation considerations. We have used this input to inform the development of the proposals set out in this consultation.

2.4 We are grateful to all stakeholders for their inputs, particularly those in NESO, DESNZ, and distribution network operators who have provided a significant, and ongoing contribution.

Appendix 3. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We may share a part or the full non-confidential response you provided with NESO and government to support policy development. We may also share anonymised data with those organisations, as result of our analysis.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for as long as an audit trail on decision-making relating to the questions discussed in this document should reasonably be available.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data

- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
    - to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/ or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information: For more information on how Ofgem processes your data, view our Ofgem privacy policy.