

Securities and fees

Connections reform:

18 September 2025

Agenda

1. Securities refunds for Gate 1 offers
2. Financial matters for Gate 2 offers
3. What is the PCF and what is the impact?
4. Slido, Q&A



Programme update

James Norman

Head of Connections Strategy

Programme update

Current status

- 89% of customers have now received results of initial checks
- Approx. 80% of application assessed so far required no further action to move to the next stage
- 84% of customers currently needing to resubmit have done so
- Approx. 50% of these customers have received updates on their resubmission



Momentum on the new timeline

- We recognise how critical it is for customers to have a new timeline to ensure investor and project confidence
- We have developed a series of timeline options via joint governance with DNOs, TOs, Ofgem, DESNZ
- Two final options are in consideration for a final decision shortly
- In parallel joint governance is developing the supporting materials for each option to enable us to communicate the timeline to customers as soon as practical
- We are very conscious of knock-on impacts and taking time to fully assess and properly understand the true magnitude of the impact on other projects and programmes.
- We have worked closely with other dependent industry areas to ensure applicants involved in activities such as CFD auctions are able to participate
- We will publish the new dates and timeline as soon as possible.

Gate 1: securities refund

Biniam Haddish

Engineering and Offer Manager

Gate 1: Securities Refunds



NESO aim to return all securities for Gate 1 offers within 6 weeks of receiving a signed offer letter



However, some projects who have self selected Gate 1 offers were originated a long time ago, have changed banks or have changed hands



To protect our customers' money NESO must go through a step to confirm the financial data we hold for you is accurate



Starting next week, we will begin contacting customers to confirm financial information



Once this is done, we can commence issuing of Gate 1 offers for those who have self selected and return securities promptly following the signing of offers

Gate 2: Fees in G2WQ

Izzie Sunnucks

Transmission Policy & Change
Manager

G2tWQ: What fees apply and who pays?

- In G2tWQ, applicants requesting Advancement, or applicants with a Transitional Agreement, are required to submit a Modification Application, and to pay a fee
- A project will not be charged a fee if it is not requesting advancement and if it does not have a 'transitional' connection agreement
- Fees will only be charged to the projects that pass initial readiness checks and are strategically aligned. This includes where the project has passed an initial review by the TOs that advancement may be possible.

Advancement

Transmission-connected projects, large BEGAs and BELLAs	A fixed fee per modification application of: <ul style="list-style-type: none"> • £13,600 ex-VAT in NGETs region • £6,200 ex-VAT in SPTs region • £5,600 ex-VAT in SHETs region
DNO modification applications related to small and medium power stations	<ul style="list-style-type: none"> • Expected to be 'batched' by Grid Supply Point / Bulk Supply Point • Host DNOs will be invoiced a fixed advancement fee (of £13,600 in NGETs region, £6,200 in SPTs region and £5,600 in SHETs region) charged per modification application related to each relevant Grid Supply Point / Bulk Supply Point • Impacted customers will be invoiced by their DNO

Transitional

- No change to the current modification application fee.
- This means that the modification application fee remains as outlined in the current charging statement and customers can choose between fixed or variable.

G2tWQ: fee terms and timing

We will raise invoices after identifying that a project is strategically aligned. We will update customer with estimated dates when we launch the revised connections reform timeline

Advancement

The fixed fee is non-refundable. This includes (but is not limited to) the following scenarios

- A project passes initial readiness checks, is strategically aligned and is invoiced, but subsequently fails detailed readiness checks or duplication checks,
- A project requests advancement, but having gone through the process, cannot be offered it.

Transitional

Updated approach to fees for previous transitional agreements:

- Directly-connected customers who opted for a fixed fee for their Transitional offer application historically will be reconciled as if they were on a variable fee.
- They will be reconciled to £4k (ex-VAT), which is the cost of producing the previous Transitional offer
- The fixed fee would be significantly higher than £4k. This change is to ensure these customers are not unfairly disadvantaged if they inadvertently selected a fixed fee when the fee was to be reconciled to £4k.

Read the full fees statement



Gate 2: securities

Deepak Solanki

Commercial Contracts Manager

What are securities?

Customers are required under existing User Commitment Arrangements to financially secure Transmission Owner's (TO) spend in relation to their connection.

Security is placed by customers and is a proportion of the liability incurred in relation to the works required to facilitate a particular project.

Pre-Connection customers receive a security statement from NESO as part of offers and the bi-annual process in January and July.

Security is returned upon connection of a project.

Gate 2: Securities statement

An updated securities statement will be sent with all Gate 2 offers, based on the latest position of attributable works and TO spend



In line with BAU process, you will have 30 days to pay any securities.



Securities profile (actual or fixed) will remain based on the current securities position of the project



There are no changes to the attributable works and wider works methodology.



Some changes are being proposed that may alter the securities (CMP417, CMP447 and PCF)

PCF: Progression Commitment Fee

Simon Sheridan

PCF Delivery Manager

What is the Progression Commitment Fee?

Purpose: Progression Commitment Fee (PCF) Supports Connections Reform by encouraging committed projects to stay in the queue — helping drive progress toward clean power by 2030 and net zero. It is an in-flight modification (CMP448) with Ofgem; decision expected by the end of September.

Why It Matters

Under new queue management, there's a risk that unviable projects may linger without incentive to exit early.

This can slow down progress and reduce overall queue efficiency.

How It Works

- **Trigger:** PCF activates only if a threshold (6.5GW terminated/reduced at M1) indicates poor queue health.
- **Scope:** Applies to projects between Gate 2 and Milestone 1 (M1).

Mechanism:

- Projects post additional securities once the PCF is triggered.
- If a project terminates or reduces capacity before reaching M1, the PCF is payable.
- Securities are held until M1 is successfully met.

CMP448 – Progression Commitment Fee summary

Intent	<p>The Progression Commitment Fee (PCF) is intended to provide an incentive for:</p> <ul style="list-style-type: none"> • Developers of projects that have become unviable to proactively exit the queue in a timely manner. • Developers who are no longer committed to progressing viable projects to sell them to a committed developer, in a timely manner.
Activation	<ul style="list-style-type: none"> • Once implemented, the PCF will initially be dormant. It will remain dormant unless a “activation metric” which is indicative of the health of the connections queue exceeds a defined threshold of 6.5GW (“activation threshold”). • The “activation metric” is the total cumulative MW terminated from the Gate 2 queue as a result of a milestone termination for failing to meet M1. • At the point where the threshold is met, the PCF may be activated, subject to decisions by NESO and Ofgem
Value	<ul style="list-style-type: none"> • Once activated, the PCF applicable to a project will have an initial value of £2,500/MW. A project’s PCF will then increase at a rate of £2,500/MW at 6 monthly intervals up to a maximum cap of £10,000/MW.¹ • Projects will be liable for the full value of their PCF upon termination of the project (or the appropriate portion of the PCF upon reduction of capacity) prior to successfully demonstrating achievement of Milestone 1.²
Scope	<ul style="list-style-type: none"> • If the PCF is activated, it will be applicable to all generation projects that hold Transmission Entry Capacity, Developer Capacity or Interconnector Capacity (including small, medium and large distribution connecting generation) and have accepted a Gate 2 contract offer and not passed Queue Management Milestone 1. • However, projects where the M1 date is less than six months from the latter of either (i) the PCF activation date or (ii) the date of Gate 2 Offer counter-signature by NESO, will have PCF of £0.
Collection	<ul style="list-style-type: none"> • If the PCF is activated, developers of projects between Gate 2 and Milestone 1 will be required to post a security against the PCF, the “Progression Commitment Fee Security” (“PCFS”). The PCFS must remain in place until developers successfully demonstrate that the project has achieved Milestone 1. • The PCFS will be embedded within the existing security ‘cancellation charges’ outlined in CUSC Section 15 and therefore will follow the existing processes and timings • After achieving Milestone 1, developers will no longer be subject to the PCF if they terminate and there will no longer be a requirement to secure against the PCF.
¹WACM 1	<ul style="list-style-type: none"> • Once Activated there will be a 6-month period where the PCF is £0/MW. • Following this, PCF value will be 10% of that proposed in the original (£250/MW increasing to £1,000/MW)
²WACM 2	<ul style="list-style-type: none"> • A discount of 75% will be applied to the PCF value if the customer initiates self-termination or reduction at least 90 days prior to the M1 date

Key date

On current timeline:

- **30th September:** Ofgem decision on CMP448 PCF modification (subject to change)

PCF (if approved):

- Calculation updated every 6 months up to December 2030 or until threshold met
- The Activation Threshold will reset at end of December 2030 if PCF is not activated before then

Reminder – Feedback

- Listening to feedback, **we are now using Slido to capture your thoughts.** Please only put your hand up when you are called on to speak
- **The route for specific queries to be responded to has not changed–** please use the portal or email box.connectionsreform@neso.energy
- We will not respond to each question on Slido individually (**We will respond to those most upvoted in the webinar**)
- We are using your feedback from these webinars to support prioritisation of portal development where possible
- All insights taken from Slido questions are allowing us to develop and updates the FAQs

Slido Q&A

We will now take Slido Q&A for the remainder of the session.

#NESO1809

We kindly request that do you do not raise project specific questions and that you keep your question constructive and relevant to the content we have shared today.



Thank you