

JOSTLING FOR POSITION A NEVERENDING POWER STRUGGLE FOR GRID CONNECTION

On 13 February 2026, Ofgem published a [Call for Input](#) on a new package of reforms proposed for demand-side grid connections. The demand connection queue has risen to a staggering 125 GW in the past year, but Ofgem is now concerned a significant proportion of these demand schemes are non-viable. As a result, it believes a further reconfiguration and streamlining of the demand queue is required. In this article, we explore the main parameters which Ofgem is considering to achieve this. We would strongly advise demand-side projects (and in particular data centre developers) to engage with this Call for Input, because existing connection offers could once again be at risk.

1. The root of the issue

As we highlighted in [November 2025](#), whilst the current Connections Reform process included a readiness review for demand-side connections, they were not subjected to the additional “needed” filtering criteria applied to generation and storage projects. However, a very large number of demand schemes have met the readiness requirements, with the result that the demand queue has grown to more than 125 GW. Ofgem believes this was in large part driven by a surge in data centre connection applications (and conversions from BESS schemes to demand schemes). Without intervention, Ofgem is concerned this queue will undermine timely connections, efficient network planning and progress towards wider economic goals.

2. Ofgem’s Three-Pillar Response: Curate, Plan, Connect

In the Call for Input, Ofgem confirms that it is developing a three-pillar approach to respond to this challenge:

- **Curate:** Ofgem intends to curate a more credible queue by putting in place targeted reforms to ensure non-viable projects are removed from the queue.
- **Plan:** Ofgem intends to work with Government and NESO to put in place processes to prioritise timely connections for strategic projects and even reserve and reallocate capacity for such strategic projects.

- **Connect:** Ofgem is considering whether the wider regulatory framework can be clarified or in some cases amended to provide more pathways to connection, empowering developers to self-deliver more of their required connection assets.

We explore each of these pillars in turn below.

3. Curating the queue

Ofgem’s objective with the “Curate” pillar is to increase the price of, and the conditions for, admission to the queue, so that only viable investment-ready projects remain. Ofgem is proposing to deliver this in two phases, with Phase 1 focusing specifically on data centre schemes, and Phase 2 broadening these principles to other types of demand connections.

Introduction of project-specific financial mechanisms

The first tool which Ofgem is considering using as part of Phase 1 is the introduction of a new data centre-specific financial mechanism requiring developers to advance funds to secure a connection, with the hope that this would encourage the self-termination of non-viable projects. Ofgem’s Call for Input considers three alternative financial mechanisms:

- **Option 1** is for a refundable deposit which would be payable at the point of application or offer acceptance and would be refunded either as a lump sum when a specific milestone is achieved or in incremental instalments based on a series of milestones.

- **Option 2** is for a deposit that would increase over time and become payable if a project fails to meet certain progression criteria but would be refunded when specific milestones are achieved. This is explicitly meant to be similar to the recent Project Commitment Fee introduced for generation projects by [CMP448](#).
- **Option 3** is for an upfront non-refundable fee which would be payable at the point of application or offer acceptance.

Ofgem is consulting on these options and assessing how effective they would be in encouraging non-viable projects to self-terminate. Similar mechanisms could later be adapted for other types of demand projects.

All three options are evidently intended to raise the stakes for opportunistic developers seeking to monetise queue positions and connection offers, by increasing financial jeopardy. Ofgem’s hope is that this will improve connection efficiency by ensuring the queue is composed of mature and committed projects, but it is difficult to judge the likely impact of these mechanisms without any clarity as to the potential quantum of the deposits or PCF. Great care will need to be taken not to size these deposits at levels which would cause cashflow issues for viable mature projects, or place undue burden on them.

In this respect, the proposed financial mechanism would come against the backdrop of [CMP417](#), a now very well progressed proposed modification to the securities regime for demand projects which was until this Call for Input expected to come into force in early 2027. [CMP417](#) would have the effect of significantly reducing the level of securities which demand projects have to maintain (and therefore indirectly having the opposite impact to that sought by Ofgem with the financial mechanism). Ofgem’s Call for Input refers to the [CMP417](#) process but does so only in passing, and it is unclear whether Ofgem is looking to accelerate it, slow it, or allow it to continue to progress independently.

Given there seems to be a clear market consensus that the existing securities requirements for demand projects is unfair and no longer fit for purpose, our expectation and hope is that Ofgem will allow [CMP417](#) to continue to be progressed at pace and implemented at the same time as any new financial mechanism.

[New “readiness” requirements for data centres](#)

In addition to this proposed financial mechanism, Ofgem has indicated it is also considering strengthening the readiness requirements for data centres, which could include for example a requirement for developers to

provide evidence of broader financial project backing, outline planning permission or full planning permission or consent.

Ofgem could implement this through new progression milestones, with projects failing to meet these milestones potentially becoming exposed to a loss of their connection agreements.

Perhaps more controversially, Ofgem has indicated it could alternatively implement this by amending the existing Gate 2 Criteria Methodology and introducing new Gate 2 criteria. In circumstances where queue outcomes have already been communicated and Gate 2 offers are in the process of being issued (albeit with some delays), it is unclear whether Ofgem is contemplating a halt to the current process whilst these new requirements are put in place. If not managed carefully, such intervention now could itself increase uncertainty and delay for all data centre developers. There is a very delicate balance which Ofgem, NESO and Government will need to find to avoid prolonging uncertainty which, in and of itself, is a significant driver of delay across industry.

[4. Planning ahead for strategic projects](#)

Ofgem has indicated the “Plan” pillar is being led by DESNZ (and Government more widely). The express aim of this pillar is to provide pathways to timely connections for projects deemed to be strategically important. Government had already announced [at the end of last year](#) that it was considering the introduction of prioritisation mechanisms to reserve or reallocate capacity for strategic demand projects (including in designated AI Growth Zones), and also highlighted a proposed new Connections Accelerator Service, intended to support the most strategically important customers in finding creative solutions to connection delays. Ofgem indicates in its Call for Input that it is expecting Government to provide further information on these outline proposals in due course, so this is an area which demand projects will need to monitor closely. If brought forward with clarity and coordination, such a service could be valuable, but delay to its implementation will limit its potential effectiveness.

We would note in particular that any “reallocation” of already allocated capacity is likely to be a hotly contested topic - we have seen a number of transactions over the past years where very significant economic value was ascribed to existing capacity allocations, with developers paying significant premiums for connection offers and queue position. Such developers are unlikely to welcome any retrospective reallocation which would result in a loss of that significant economic investment.

5. Connecting faster and more flexibly

Through the “Connect” pillar, Ofgem is seeking to identify new ways to accelerate and increase the number of physical grid connections while maintaining a secure and operable system. This includes exploring whether to clarify the legal framework governing high voltage connections, as well as considering options to expand self-build or competition for delivery and ownership of high voltage assets.

In our view this is an area where there is significant potential for Ofgem to unlock pathways to accelerate connections: clarifying the correct interpretation of the Electricity Act could immediately unlock new connection configurations for projects, but also enable them to take more control and ownership of their connection assets, whilst at the same time alleviating pressure on the TOs.

More generally, enabling self-build of high voltage assets, or the introduction of a new independent Transmission Owner licence could offer an increasing menu of options for developers, in a market where there is very strong interest in more flexible ownership structures and more control over self-delivery of connection works. We are already seeing strong developer interest in unlicensed private network models, and even more options could be unlocked incrementally by Ofgem through this pillar. Reforms here could signal a broader shift towards greater private sector involvement and flexibility in the delivery and ownership of high-voltage infrastructure.

It is also notable that Ofgem is considering expanding access to non-firm connection agreements, acknowledging that there is strong user appetite for earlier, more adaptable connection routes. Whether this is a viable option for single-building data centre developments remains to be seen (given the typical requirement for firm dependable capacity), but it could provide optionality for multi-tenant developments in phases.

6. Concluding thoughts: the power struggle continues

Given the lengthy delays which developers are facing to achieve connection to the grid, further intervention by Ofgem, NESO and Government could be very helpful in unlocking development progress. However, the merits of further intervention need to be balanced carefully against the ongoing delays caused by continuing retrospective reforms - uncertainty in all of its guises is the single biggest issue preventing developers from taking final investment decisions and progressing with their projects. Any intervention now needs to be surgical and rapid.

In any event, it is clear that the current outcome of the Gate 2 process is not the end of the journey for demand projects. Project developers, in particular in the digital infrastructure space, ought to follow developments very closely and engage proactively with Ofgem’s Call for Input to ensure their views are reflected in any reforms: the regulator needs to hear from developers how it can help, rather than hinder, investment at pace.

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