

BRIEFING PAPER

Ofgem's Curate, Plan, Connect and Operate Reforms

Restructuring the GB Data Centre Grid Connection Queue

A briefing for data centre developers, operators and investors

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Executive Summary

Great Britain's electricity grid connection queue for data centres has become unworkable. Contracted demand-queue offers rose from **41GW in November 2024 to 125GW by June 2025**¹ against GB peak demand of just 45GW. NESO estimates roughly 140 data centre projects account for ~50GW of that queue, but only 71 have reached Final Investment Decision - around **20GW of genuine, committed demand**². The rest is speculation: multiple applications per project, land-banked capacity, and options never intended to convert to build.

Ofgem, NESO and DESNZ are responding with a four-pillar reform programme - **Curate, Plan, Connect and Operate** - that will fundamentally reshape how data centres access, finance and operate grid connections in Great Britain. **Curate is furthest advanced**: a formal consultation closed 16 September 2026, proposing a **returnable** commitment fee of **£237,500–£712,500 per MW**³ payable on connection offer acceptance. Plan and Connect are at consultation or pre-consultation stage, with further Ofgem consultations expected in autumn 2026. Operate is the least developed pillar, with a **Flex Technical Taskforce** due to report only in autumn 2026.

What this means for developers

A project holding a queue position today faces a materially different cost and risk profile within 12–18 months: a large cash commitment at offer acceptance, new evidence-based progression milestones, and eventual obligations around demand flexibility.

Developers should treat September–December 2026 as the decision window: understand fee calibration, milestone timing, and self-build/flexibility options before Ofgem's final decisions lock in the new rules.

The four pillars at a glance

Pillar	Lead body	Purpose	Status (Sept 2026)
Curate	Ofgem / NESO	Removes speculative demand from the queue via financial commitment and milestones	Consultation closed 16 Sept 2026; decision expected later 2026
Plan	DESNZ (government)	Reserves and prioritises grid capacity for strategically important projects	Consultation closed 15 Apr 2026; government response awaited
Connect	Ofgem / NESO / NGET	Accelerates physical connection delivery - self-build, iTO, class exemption, HV offers	Update published 16 June 2026; formal consultation expected autumn 2026
Operate	Ofgem / AI Energy Council	Governs behaviour once connected - flexibility, curtailment, operational control	Flex Technical Taskforce reporting autumn 2026; Ofgem consultation expected autumn 2026

This paper works through each pillar in turn, then addresses the twelve specific technical and commercial questions developers are raising: **fee calibration and its Capacity Market parallel, self-build and independent transmission ownership, connection timescales, statutory powers, flexible connection types, firm versus non-firm offers, ramp-up connections, the flexibility market-versus-obligation debate, N-1 versus N-2 security standards, the latest Plan-pillar mechanics, true pipeline demand, and the specific concerns raised in techUK's response to Curate.**

¹Ofgem press release, 29 July 2026, <https://www.ofgem.gov.uk/press-release/ofgem-acts-free-grid-capacity-tackling-speculative-data-centre-projects>

²National Law Review, "The New Race for Power," 2 July 2026, <https://natlawreview.com/article/new-race-power-what-ofgems-grid-reform-means-data-centre-development-great-britain>

³Ofgem, Curate consultation document, 29 July 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-07/Proposed-data-centre-connection-reforms-curate-consultation-document.pdf>

1. Why the Queue Broke, and Why Government Acted

1.1 The scale of the problem

Multiple, partially conflicting figures circulate for the pipeline - a reflection of how fluid and speculative the queue has become. Treat all of the below as directional rather than precise:

- **Ofgem:** total demand-queue applications rose from 41GW (Nov 2024) to 125GW (June 2025) [Ofgem press release]⁴.
- **NESO/Ofgem data centre-specific queue:** 73GW across 315 identified data centre projects (1MW to 1,500MW+ each); 99% of that capacity sits in projects above the proposed 40MW fee threshold [Curate consultation]⁵.
- **Committed pipeline (Barbour ABI, Sept 2026):** just over **14GW** across 173 schemes with confirmed capital commitment [Computer Weekly/WebProNews]⁶ - a useful cross-check on how much of the 125GW headline figure is real.
- **National Grid Electricity Distribution:** 3,126MW of data centre connection pipeline within its own licence areas as of November 2025 [industry data review]⁷.

The gap between 125GW of applications and roughly **14–20GW of genuinely committed capacity** is the core diagnosis behind Curate: the queue is being used as a free option by developers who have not, and may never, commit real capital.

1.2 The mechanism of harm

Speculative applications do three things that damage the system:

- They occupy queue positions and reserved network capacity that viable projects could use.
- They distort NESO and network company planning, because network reinforcement is sized against a demand forecast inflated by capacity nobody will use.
- They delay genuine projects behind them, pushing viable investment further out - directly undermining the UK's AI and digital infrastructure ambitions the queue reform is meant to protect.

1.3 The reform architecture

The programme was announced via Ofgem's Call for Input on 13 February 2026, covering all three original workstreams (Curate, Plan, Connect), with **Operate subsequently split out from Connect** as a distinct fourth pillar covering post-connection behaviour⁸. Implementation runs in two broad phases: Phase 1 (critical queue-management measures across transmission and distribution, ahead of NESO reopening transmission applications) and Phase 2 (strategic alignment measures, implemented at the second post-TMO4+ application window)⁹.

⁴Ofgem, 29 July 2026, <https://www.ofgem.gov.uk/press-release/ofgem-acts-free-grid-capacity-tackling-speculative-data-centre-projects>

⁵Ofgem, Curate consultation document, 29 July 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-07/Proposed-data-centre-connection-reforms-curate-consultation-document.pdf>

⁶WebProNews, 8 September 2026, <https://www.webpronews.com/britains-100-billion-data-centre-surge-hits-hidden-cabling-and-grid-walls>

⁷OpenPR, UK data centre capacity review, 2026, <https://www.openpr.com/news/4621649/uk-data-centre-capacity-what-the-evidence-actually-shows-in-2026>

⁸Ofgem, Demand Connections Reform Call for Input, 13 February 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-02/2026-02-12-Demand-Connections-Call-for-Input.pdf>

⁹DESNZ, Accelerating electricity network connections for strategic demand, 11 March 2026, <https://assets.publishing.service.gov.uk/media/69b2aa5bc8010d37b34e0070/accelerating-electricity-network-connections-for-strategic-demand.pdf>

2. Curate: Clearing the Speculative Queue

2.1 What Curate does

Curate introduces two linked mechanisms: a financial **commitment fee**, and a set of new evidence-based progression **milestones** specific to data centres. Both attach to demand connections above 40MW (transmission, or distribution where subject to a Transmission Entry Assessment-equivalent process) - a threshold chosen because it captures 99% of queued data centre capacity while sparing smaller, generally less speculative connections¹⁰.

2.2 The Data Centre Commitment Fee (DCCF)

Ofgem's preferred design (Option 1A) is a **lump-sum, returnable fee**: secured in full at connection offer **acceptance**, held **until** energisation, then **returned**. If the developer terminates the agreement, the fee is rumoured to be **forfeited**¹¹, making this a very painful step.

DCCF cost example

Proposed range: £237,500–£712,500 per MW, calculated as 2.5%–7.5% of average data centre capital expenditure (assumed at £9.5m/MW).

A 100MW project would face a fee of roughly £23.7m at the low end of the range - payable up front, on acceptance of the connection offer, well before revenue.

Ofgem cites international precedent for scale: **Spain** applies a comparable fee of €40,000/MW, and certain US states apply US\$50,000–70,000/MW¹² - the **GB proposal is massive by comparison**.

Consultation response so far

- 76 respondents (63%) supported a commitment fee in principle at Call for Input stage; 14 (12%) opposed; 30 (25%) had no view¹³.
- **Support was strongest for incremental/progression-based fee** models (rather than a single lump sum) at Call for Input stage; Ofgem nonetheless proposed the simpler lump-sum Option 1A in the formal consultation.

2.3 New progression milestones

Curate layers three new data centre-specific evidence gates onto the existing NESO/DNO milestone framework:

Milestone	Timing	Evidence required
M0.5.Dc	Before M1	Pathway selection (Self-operation vs. Lease-or-Sale) plus non-binding compute oftaker evidence
M2.Dc	At M2	Evidence of long-lead equipment procurement activity
M6.Dc	At M6	Financial capability and technical capability evidence; Lease/Sale pathway also requires binding compute oftaker evidence

Developers must **self-declare data centre status** via a director-signed letter, using a definition drawn from the Cyber Security and Resilience (NIS) Bill, Part 2, Chapter 1, paragraph 4¹⁴. A three-month self-termination grace window

¹⁰Ofgem, Curate consultation document, 29 July 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-07/Proposed-data-centre-connection-reforms-curate-consultation-document.pdf>

¹¹Osborne Clarke, "Ofgem proposes commitment fee for GB data centres," 2026, <https://www.osborneclarke.com/insights/energy-transition-ofgem-proposes-commitment-fee-gb-data-centres>

¹²Watson Farley & Williams, "Worlds colliding," 7 August 2026, <https://www.wfw.com/articles/worlds-colliding-reshaping-of-grid-connections-data-centres-to-be-treated-the-same-as-generation-assets/>

¹³Ofgem, Curate consultation document, 29 July 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-07/Proposed-data-centre-connection-reforms-curate-consultation-document.pdf>

¹⁴Ofgem, Curate consultation document, 29 July 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-07/Proposed-data-centre-connection-reforms-curate-consultation-document.pdf>

applies if a project cannot post an increased security requirement. Note that the UK Capacity Market, by comparison, requires a higher level of demonstrated compliance (see below).

Benchmark: the Capacity Market's heavier-touch equivalent

Curate's director-signed letter follows the same logic as the Capacity Market's prequalification declaration - both shift legal risk for a false statement onto a named individual rather than the corporate entity. But the two regimes diverge sharply on enforcement and verification:

Feature	Curate (data centre self-declaration)	Capacity Market (prequalification)
Form of declaration	Director-signed letter, free-form, referencing NIS Bill definition	Standardised pro forma - Exhibit A (Prequalification Certificate), plus Exhibit AB for lifetime-extension works
Independent verification	None disclosed in the July 2026 consultation	Named third parties for higher-stakes claims - Independent Emissions Verifiers (four currently accredited) for Fossil Fuel Emission Declarations; Independent Technical Experts certify qualifying project spend
Ongoing audit right	Not specified	Delivery Body/NESO can reopen and reverse a prequalification decision at any point before auction if new information emerges
Consequence of a false declaration	Not specified - no published clawback or termination trigger tied to the letter itself	Explicit termination event under Rule 6.10.1(o) where submitted information or a declaration does not comply with Rule 3.12.1
Self-certification precedent	Entire data centre status test is self-certified	Narrow and named exceptions only - e.g. Battery Storage CMUs may self-declare Connection Capacity, but only within a ceiling set by Rule 3.5

Reading for developers

- The **Capacity Market** treats self-certification as the exception, reserved for narrow, low-risk items, and backs everything else with a named verifier or a standing audit right.
- Curate** currently treats self-certification as the default for the entire data centre status test, with **no disclosed verifier, audit mechanism, or false-declaration penalty**.
- Given Ofgem's stated aim of screening out speculative projects, **expect the gap to close** before final rules - most likely via an explicit termination/clawback trigger, and possibly a named verifier role for higher-value or contested declarations.

2.4 Timetable

- Consultation published 29 July 2026; closed 16 September 2026¹⁵.
- Ofgem intends to issue final decisions "later in 2026", ahead of new transmission application windows opening.
- CMS notes proposed transition timing for offers already accepted before implementation: security payable within 3 months of the Implementation Date for accepted Gate 2 offers; M0.5(DC) at agreement execution + 12 months; M2(DC) at M2 deadline + 6 months; M6(DC) at M6 deadline + 6 months¹⁶.

¹⁵Ofgem, consultation page, <https://www.ofgem.gov.uk/consultation/proposed-data-centre-connection-reforms>

¹⁶CMS, "Proposed data centre connection reforms," 31 July 2026, <https://cms.law/en/gbr/legal-updates/proposed-data-centre-connection-reforms-ofgem-consults-on-new-measures-to-reform-the-connections-queue>

2.5 An easing offset: the User Commitment Methodology

Separately, a long-running modification (first submitted July 2023, with a draft final modifications report issued 18 June 2026, awaiting approval) would [align demand-customer security requirements with the more favourable regime generation and battery projects already enjoy](#). Currently, demand customers generally post security for the full value of connection costs, while generation/storage projects post security under the User Commitment Methodology, where customer-attributable and wider-reinforcement costs are treated separately and security tapers as work progresses. If approved, this would modestly reduce the security burden data centres face - "alleviating to a small extent" the impact of the DCCF¹⁷.

¹⁷Watson Farley & Williams, 7 August 2026, <https://www.wfw.com/articles/worlds-colliding-reshaping-of-grid-connections-data-centres-to-be-treated-the-same-as-generation-assets/>

3. How the DCCF Compares with the existing GB Capacity Market

Government and Ofgem sources do not themselves draw an explicit comparison between the DCCF and the GB Capacity Market (CM) - the two sit in different parts of the regulatory architecture and were not designed as analogues. But the [comparison is instructive for developers assessing how the DCCF will actually](#) behave, because both mechanisms exist to solve the same underlying problem: separating genuine commitment from speculative capacity.

3.1 What the Capacity Market actually does

The CM procures firm capacity through competitive T-1 and T-4 auctions, paying successful bidders to be available during system stress events, with penalties for non-delivery. It is technology-neutral. In the most recent auctions: the T-4 auction (for delivery year 2028/29) cleared at £60/kW/year, securing 43.1GW of de-rated capacity from 44.7GW entered (96.4% success rate); the T-1 auction (2025/26) cleared at £20/kW/year, securing 7.9GW from 9.1GW entered (87.0%)¹⁸. Total CM payments reached **£1.25 billion** for the 2024/25 delivery year.

Capacity providers must clear a Financial Commitment Milestone (FID plus 10% of capex spent) and a Substantial Completion Milestone (able to deliver 90% of obligated capacity) before receiving payments - a two-gate structure conceptually close to Curate's milestone ladder.

3.2 Structural parallels and differences

Dimension	Capacity Market	DCCF / Curate milestones
Purpose	Ensure sufficient generation/flexibility capacity is built and available	Ensure only viable demand connections occupy scarce grid capacity
Mechanism	Competitive auction; price set by clearing market	Administratively set fee (2.5–7.5% of capex); no auction or price discovery
Direction of payment	System pays the capacity provider	Developer pays the system operator/network (returnable if delivered)
Commitment test	FID + 10% capex spend; 90% capacity delivery	Multi-stage evidence gates (pathway, procurement, financial/technical capability)
Penalty for non-delivery	Financial penalty under CM rules; loss of future eligibility	Forfeiture of commitment fee

The critical difference: the CM prices commitment through competition, discovering what the market will actually bear. The DCCF is set administratively, with Ofgem estimating cost from average capex rather than testing it through a market mechanism. This is precisely techUK's core objection (Section 9) - an administratively set fee risks either being too low to deter speculation, or high enough to deter genuinely viable investment, with no market signal to correct it in either direction.

Reading across from the CM

If Ofgem wants the DCCF to behave like a well-functioning capacity mechanism, **expect future iterations to introduce some form of tiering, phased fee escalation, or performance-linked adjustment** - closer to the CM's de-rating logic - rather than a single flat rate. TechUK's call for the fee to "start low and ramp up" points in exactly this direction (Section 9).

¹⁸ DESNZ, Statutory Security of Supply Report 2025, 17 December 2025, <https://www.gov.uk/government/publications/statutory-security-of-supply-report-2025/statutory-security-of-supply-report-2025>

4. Connect Accelerate: Self-Build, Transfer, iTO and Class Exemption

Connect Accelerate addresses how high-voltage (HV) infrastructure gets built, reframing the question from "when will the incumbent transmission owner get to it" to "can the developer build it themselves." Ofgem describes this as a "DIY" or "BYO" approach to national infrastructure¹⁹.

4.1 The three mechanisms under consideration

- **High voltage connection offers for demand customers:** already available in Scotland, where the connecting customer accepts legal-compliance risk. NGET/NESO are working to extend this to England and Wales, and NESO has approached Phase 2 Gate 2-to-Whole-Queue demand customers in NGET's area to gauge interest²⁰.
- **Self-build and transfer (contestable build):** developers build HV assets themselves and transfer them to the network operator. Currently restricted to sites within 2km of the existing transmission system, and to non-shareable assets. Ireland's 20-year track record with this model shows outcomes roughly 20% cheaper and **11 months faster** than the regulated route where contestability applies²¹. A Pre-Approval of Solutions by Engineering (PASE) mechanism is proposed as a quality safeguard, and Ofgem is using Planning and Infrastructure Act 2025 powers to accelerate implementation.
- **Independent Transmission Owner (iTO) licence:** modelled on the existing independent DNO (iDNO) licence, this would let a developer or third party own and operate transmission-voltage assets under its own licence, rather than transferring them to NGET/SSEN/SPT. Ofgem is prioritising this route and expects to consult on an initial iTO proposal in autumn 2026, followed by detailed licence conditions²². It is being considered alongside - not instead of - the existing CATO (Competitively Appointed Transmission Owner) regime.

4.2 Class exemption

A class exemption - a blanket carve-out allowing certain categories of self-build asset to bypass individual licensing - is described as a government decision, not an Ofgem one. Ofgem's Connect Task and Finish Group view is explicitly that class exemption and iTO are not mutually exclusive: both could add value together, serving different scales or types of project²³.

4.3 How developers might use these routes

- A well-capitalised hyperscaler or fund-backed developer with in-house or contracted **EPC capability is the natural candidate for self-build/transfer or an iTO licence** - it shifts execution risk from a backlogged transmission owner to the party best placed and most incentivised to move fast.
- An iTO licence carries ongoing regulatory obligations (safety, technical standards, potentially price control) that a one-off self-build/transfer arrangement does not - developers building a single site should weigh transfer against the compliance burden of holding a licence.
- Class exemption, if adopted, would most benefit smaller or simpler HV connections where full iTO licensing is disproportionate.
- Governance and Task & Finish Group involvement (monthly meetings since January 2026, spanning government, Ofgem, NESO, networks, trade bodies) means the detailed rules are still being shaped - developers with a stake should engage now, ahead of the autumn 2026 consultation.

¹⁹National Law Review, 2 July 2026, <https://natlawreview.com/article/new-race-power-what-ofgems-grid-reform-means-data-centre-development-great-britain>

²⁰Ofgem, Connect update, 16 June 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-06/demand-connections-reform-update-June.pdf>

²¹Ofgem, Connect update, 16 June 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-06/demand-connections-reform-update-June.pdf>

²²Burges Salmon, "Connect update: an independent transmission owner route," 6 July 2026, <https://www.burges-salmon.com/articles/102n88v/demand-connections-reform-a-connect-update-an-independent-transmission-owner-r/>

²³Ofgem, Connect update, 16 June 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-06/demand-connections-reform-update-June.pdf>

5. NGET's Comfort with 400kV Access

Public sources do not contain an explicit NGET statement of "comfort" with facilitating data centre access to the 400kV transmission system as a general policy position. What the record does show is NGET's practical engagement with individual large connections, and the constraints shaping its posture:

- NGET has directly delivered major 400kV data centre connections - notably the Willesden & Kensal Green 400kV/66kV reinforcement supporting Microsoft Cloud Infrastructure and Operations Limited's London data centre load, funded through a Medium Sized Investment Project (MSIP) re-opener under RIIO-2²⁴.
- NGET's stated position on high-voltage connection offers for demand customers is a legal-liability caveat, not a technical objection: it is "for the connecting customer to ensure that they meet all the legal requirements"²⁵ - i.e. **NGET will facilitate access, but places compliance risk with the developer**, consistent with the Scottish precedent it is being asked to replicate in England and Wales.
- NGET's RIIO-3 Final Determinations reference internal data integration work ("Fabric") intended to support faster connection processing, but do not commit to a specific 400kV access policy for data centres²⁶.

Reading for developers

NGET's comfort with 400kV access is conditional and case-by-case, not a blanket policy - project-specific engagement, and readiness to fund an MSIP-style re-opener where justified, matters more than any general statement.

The direction of travel (HV connection offers extending from Scotland to England/Wales, self-build/transfer, iTO) all point towards NGET retaining oversight and standards-setting while shifting delivery risk and pace to the developer.

²⁴Ofgem, RIIO-2 Re-opener Applications 2024 Draft Determinations, ET Annex, https://www.ofgem.gov.uk/sites/default/files/2024-09/RIIO-2_Re-opener_Applications_2024_Draft_Determinations_ET_Annex.pdf

²⁵Ofgem, Connect update, 16 June 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-06/demand-connections-reform-update-June.pdf>

²⁶Ofgem, RIIO-3 Final Determinations – NGET, December 2025, <https://www.ofgem.gov.uk/sites/default/files/2025-12/RIIO-3-Final-Determinations-NGET.pdf>

6. Timescales to Accept Demand Connection Offers

Acceptance windows vary by voltage level and are tightly bound to NESO's wider queue-management timetable:

- **Distribution: Gate 2 Variation** Offers under NGED's connections reform carry a **30-calendar-day** acceptance period, fixed because NGED must conform to NESO's own timelines²⁷.
- **Transmission:** final Gate 2 offers were expected from around March 2026; distribution Gate 2 Phase 1 offers were scheduled between early July and mid-November 2026²⁸.
- Under Curate's transitional proposals, projects with a Gate 2 offer accepted before the Curate Implementation Date would need to post the new security within 3 months of that date²⁹.

The prompt's underlying question - whether developers should get 6–9 months to accept a Gate 2 offer and pay the DCCF, rather than 30 days - is a live consultation question, not yet resolved. TechUK's response argues for exactly this kind of extended runway, framed around giving developers time to de-risk power commitments after land and planning are secured (Section 9).

²⁷ National Grid Electricity Distribution, Gate 2 Customer FAQs, 29 April 2026, <https://connections.nationalgrid.co.uk/downloads/221966/2026-04-29-nged-gate-2-customer-faqs.pdf>

²⁸ National Grid, Connections Reform Timeline, published 10 June 2026, <https://connections.nationalgrid.co.uk/downloads/209505/connections-reform-webinar-february-2026.pdf>

²⁹ CMS, 31 July 2026, <https://cms.law/en/gbr/legal-updates/proposed-data-centre-connection-reforms-ofgem-consults-on-new-measures-to-reform-the-connections-queue>

7. Statutory Powers: Planning and Infrastructure Act 2025

The Planning and Infrastructure Act 2025 received Royal Assent on 18 December 2025 and underpins almost every acceleration mechanism in this reform programme³⁰.

7.1 Key powers relevant to data centre connections

- **Section 14:** allows government to amend connections methodologies, codes and licences - the legal basis for the Project Designation Methodology and Connections Network Design Methodology changes underpinning both Curate and Plan.
- **Section 18 (inserting Section 165A into the Energy Act 2023):** gives government the power to **designate strategic plans identifying strategically important demand projects** - the legal foundation for the entire Plan pillar (Section 8).
- **"First ready, first connected":** replaces "first come, first served" as the guiding principle for clean power connections generally³¹.

7.2 Compulsory (Land) purchase

The Act rebalances compulsory purchase compensation in a way directly relevant to any developer needing land or wayleaves for HV infrastructure or on-site generation:

- Basic loss payments for non-occupying owners fall from 7.5%/£75,000 to 2.5%/£25,000.
- Occupier's loss payments rise from 2.5%/£25,000 to 7.5%/£75,000³².

Net effect: compulsory purchase becomes cheaper where the affected party is a passive landowner, and more expensive where an active occupier is displaced - a consideration for developers assessing land assembly cost for substations, cable routes or on-site generation.

³⁰legislation.gov.uk, Planning and Infrastructure Act 2025, <https://www.legislation.gov.uk/ukpga/2025/34/contents>

³¹Local Government Association, PIA Bill Second Reading briefing, <https://www.local.gov.uk/parliament/briefings-and-responses/planning-and-infrastructure-bill-second-reading-house-commons>

³²TLT, "Planning and Infrastructure Act 2025: what developers need to know," <https://www.tlt.com/insights-and-events/insight/planning-and-infrastructure-act-2025-what-developers-need-to-know>

8. Plan: Strategic Demand Prioritisation

Plan is government-led (DESNZ, not Ofgem), and is the mechanism for **giving named strategic projects priority access** to grid capacity - potentially allowing them to leapfrog others already in the queue.

8.1 The three mechanisms

- **Reservation:** NESO can reserve connection points, substation bays, [or a placeholder queue position](#) for a Government-designated project, even where it does **not** yet meet Gate 2 readiness criteria (a "Gate 1 with reservation" offer). Reservation can be project-specific or held for an as-yet-unknown future project.
- **Reallocation:** capacity released when a project exits the queue can be redirected to a Government-identified strategic demand project rather than the next-in-line applicant - particularly aimed at supporting AI Growth Zones and viable data centre projects. Reallocation does not guarantee an earlier connection date; that still depends on network build timelines. **Note that it will become important to clarify how this Government override interacts with projects that have already paid their Commitment Fee.**
- **Prioritisation:** Government-identified projects can be ranked ahead of non-designated demand projects within future transmission network design batches³³.

8.2 Designation process: the Connections Accelerator Service (CAS)

CAS runs a continuous three-stage process:

- **Stage 1 – Sponsorship:** a project must be nominated by a government department, a Mayoral Strategy Authority, or a devolved government. Without sponsorship, a project cannot progress.
- **Stage 2 – Scoring:** scored 1–4 against economic criteria (capital investment, **jobs**, Industrial Strategy growth-subsector alignment) and social criteria (mission alignment, impact), with a discretionary "boost" for national security or exceptional public interest.
- **Stage 3 – Regional selection:** qualifying projects are grouped into regional lists aligned to network operator boundaries; only a limited number are ultimately selected, reflecting constrained network company resource³⁴.

Central government - not NESO or Ofgem - is the ultimate decision-maker on what qualifies as strategic demand. NESO implements the designation; it does not determine it.

8.3 Status and timetable

Date	Event
November 2025	Government commits to strategic demand reservation/reallocation mechanisms
18 December 2025	Planning and Infrastructure Act 2025 receives Royal Assent
December 2025	CAS pilot phase launched
13 February 2026	Ofgem Call for Input on Curate, Plan and Connect
11 March 2026	DESNZ strategic demand consultation published
15 April 2026	DESNZ consultation closes
September 2026	Government response still awaited; timescales unclear

³³GOV.UK, Accelerating electricity network connections for strategic demand, 11 March 2026, <https://www.gov.uk/government/consultations/accelerating-electricity-network-connections-for-strategic-demand/accelerating-electricity-network-connections-for-strategic-demand-accessible-webpage>

³⁴Burges Salmon, "Accelerating electricity network connections for strategic demand," 18 May 2026, <https://www.burges-salmon.com/our-thinking/accelerating-electricity-network-connections-for-strategic-demand/>

As of this briefing, DESNZ has not published its consultation response. Law firm tracking confirms the response remains outstanding and its timing "remains to be clarified"³⁵ - this is the single biggest open item across all four pillars as of September 2026.

8.4 The forthcoming “National Data Centre Strategy”

Government intends to align data centre connections with a forthcoming national data centre strategy, and has acknowledged the need to protect viable projects already at an advanced stage of development. No publication date has been confirmed.

³⁵Slaughter and May, "Market update on grid connections reform," 22 June 2026, <https://www.slaughterandmay.com/insights/new-insights/market-update-on-grid-connections-reform/>

9. Industry Reaction: techUK's Response to Curate

techUK's public response is the clearest industry-side articulation of concern with Curate's design, and is worth reading in full alongside the consultation itself.

9.1 Core position

techUK, on the record

"Whilst we are strongly supportive of a financial mechanism, the **extremely high commitment fee** in this consultation is a significant area of concern and risks making the UK far less attractive as an investment destination for data centres."

techUK backs the principle of both measures - a commitment fee and evidence-based milestones - but argues the fee level in the July consultation is disproportionate to the stated aim of screening out speculation, and could deter genuinely viable investment alongside it³⁶. Matt Evans, techUK's Chief Operating Officer, has been quoted publicly warning the fee level "mustn't discourage genuine investment"³⁷, and techUK has separately warned against a "stick-only" regulatory approach.

9.2 The Commitment Fee: Your questions:

- **How long is the fee secured for?** From connection offer acceptance to energisation - potentially several years for a large project, tying up significant capital well before revenue.
- **Should the fee be based on IRR rather than a flat capex percentage?** Not addressed in the published consultation; this is a live design question industry is raising. An IRR-linked fee would better target genuinely marginal/speculative projects rather than penalising capital-intensive but viable ones uniformly. Note that IRR calculation can be notoriously argumentative and opaque.
- **What effect is actually wanted?** Ofgem's stated aim is deterring speculative applications, not raising revenue or penalising genuine developers - this is the crux of the debate: whether a flat, high, upfront fee achieves selective deterrence or blunt deterrence.
- **Should the fee start low and ramp up?** This is techUK's implicit ask. A phased or escalating fee - starting at the lower end of the proposed range and rising with subsequent queue cycles - would let the market show its response before locking in the higher end.
- **Is the lower end of the range currently acceptable?** Industry commentary suggests the lower bound (~2.5% of capex, ~£237,500/MW) is closer to a workable equilibrium than the upper bound; this is consistent with the Spain (€40,000/MW) and US (\$50–70,000/MW) benchmarks Ofgem itself cites, which sit well below the GB lower bound.
- **Should planning applications be made harder, to filter speculation earlier?** Not proposed in the current consultation, which focuses exclusively on the grid connection stage. This remains an open question raised in industry commentary rather than a live Ofgem or DESNZ proposal.

9.3 Sequencing: land/planning risk versus power risk

Developers typically de-risk land and planning consent before committing serious capital to power. techUK's position - give more time to de-risk power - recognises that Curate's Gate 2 acceptance-and-pay structure compresses this sequencing, forcing a large financial commitment to grid capacity earlier in the development timeline than developers are used to managing for land and planning risk. This underpins the ask for a materially longer acceptance window (6–9 months, versus the current 30 calendar days at distribution level) discussed in Section 6.

³⁶techUK, "Ofgem details proposals to remove speculation from the demand connections queue," <https://www.techuk.org/resource/ofgem-details-proposals-to-remove-speculation-from-the-demand-connections-queue.html>

³⁷City AM, 2026, <https://www.cityam.com/ofgem-data-centre-crackdown-risks-driving-ai-investors-away-from-uk/>

10. Connection Agreement Types: Firm, Non-Firm, Ramped and Profiled

Ofgem's June 2026 **Connect update** and the DESNZ **strategic demand consultation** both set out a "menu" of alternative connection agreements now under active consideration.

10.1 Definitions

Type	Definition	Status
Firm	Full contracted capacity guaranteed at all times	Default, but slowest to obtain given queue congestion
Non-firm	Connection subject to curtailment during network constraints	Call for Input feedback: should remain voluntary, with a clear path to firm connection
Ramped (phased)	Capacity allocation increases gradually over an agreed period (typically years), matching typical data centre build-out	Actively being examined by Ofgem for uptake and standardisation
Profiled	A bespoke connection profile matching a predictable demand pattern	Available in principle; not yet standardised

Sources: Ofgem Connect update³⁸; Slaughter and May³⁹; DESNZ strategic demand consultation⁴⁰.

10.2 Firm versus non-firm: the current policy position

Industry feedback from the Call for Input was consistent: **non-firm connections should remain optional**, not mandatory, and should always carry a defined path to upgrade to firm status. The take-up of non-firm and ramped agreements is project-specific - some developers actively request them to secure an earlier connection date; others prefer to wait for firm capacity. UK Power Networks has already signed a "UK first" data centre partnership explicitly built around ramped connections, offering flexible capacity increases over time to support phased growth and cost efficiency⁴¹.

10.3 Ramp-up connections in practice

A ramped connection allows a data centre to contract for its eventual full capacity requirement while only drawing (and most importantly, paying network charges commensurate with) a fraction of that capacity in early years, with allocation increasing on an agreed schedule as the facility is built out and IT load grows - directly matching the phased nature of hyperscale construction, where power demand on day one is a small fraction of design capacity. Ofgem is examining standardising these arrangements rather than leaving each one bespoke, though as of September 2026 no standard ramp schedule or trigger mechanism has been published.

10.4 Curtailment risk: the forecasting problem

The unresolved commercial question behind every non-firm or ramped offer is not the connection mechanism itself but the curtailment forecast attached to it. NESO and NGET publish an expected probability or number of curtailment hours for a given non-firm arrangement, and that figure is the single input most likely to determine whether a developer accepts the offer or holds out for firm capacity.

³⁸Ofgem, Connect update, 16 June 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-06/demand-connections-reform-update-June.pdf>

³⁹Slaughter and May, 22 June 2026, <https://www.slaughterandmay.com/insights/new-insights/market-update-on-grid-connections-reform/>

⁴⁰GOV.UK, 11 March 2026, <https://www.gov.uk/government/consultations/accelerating-electricity-network-connections-for-strategic-demand/accelerating-electricity-network-connections-for-strategic-demand-accessible-webpage>

⁴¹UK Power Networks, "Electricity distributor signs up to data centre partnership," 12 November 2025, <https://www.ukpowernetworks.co.uk/news/electricity-distributor-signs-up-to-data-centre-partnership-in-uk-first>

CMEI view:

- In practice, network operator **curtailment forecasts tend to be conservative** — skewed towards predicting more curtailment hours than are likely to materialise. This is a rational institutional response: a network operator that under-predicts curtailment and later has to invoke it heavily exposes itself to compensation claims and reputational damage; over-predicting carries no equivalent downside.
- The practical effect is that headline curtailment estimates published alongside non-firm or ramped connection offers should be treated as an upper bound, not a central case.
- **Developers evaluating a non-firm offer on the operator's forecast alone, risk materially overstating their curtailment exposure** — and, in turn, overpaying for firm capacity or backup generation they may not need, or rejecting an otherwise economic non-firm offer.

This asymmetry is not something published Ofgem, NESO, or NGET material currently addresses — no source reviewed for this briefing discloses the **confidence interval, methodology, or historical accuracy of curtailment forecasts issued alongside non-firm connection offers**. That gap is itself a finding: developers cannot yet benchmark a network operator's forecast against any independently disclosed track record.

- Data centre developers considering a non-firm or ramped connection should commission their own independent grid dynamic modelling — covering constraint patterns, generation mix, weather, climate change, and historical outturn on the relevant network — rather than relying solely on the network operator's published estimate.
- This modelling capability is a genuine **commercial differentiator**: developers able to demonstrate, with independent analysis, that actual curtailment risk on a given circuit is materially lower than the operator's forecast will be better placed to negotiate pricing, accept non-firm capacity with confidence, and secure earlier connection dates than developers taking the forecast at face value.
- This should be a specific consultation ask: Ofgem should require NESO/NGET to publish the methodology and historical accuracy of curtailment forecasts attached to non-firm and ramped connection offers, so developers can assess forecast reliability rather than accepting a single unverified figure.

11. Flexibility: Market Signal or Regulatory Obligation?

This is the least resolved area of the entire reform programme and sits at the heart of the Operate pillar.

11.1 Ofgem's trilemma

Ofgem has explicitly framed Operate as balancing three competing needs: system needs (balancing supply and demand, with risk ultimately borne by consumers), data centre operational needs (site- and business-model-specific, technology-dependent), and investability needs (additional regulatory requirements raise bankability and financing risk)⁴².

11.2 Voluntary flexibility

- A **Flex Technical Taskforce**, working alongside the **AI Energy Council**, is identifying flexibility solutions appropriate to specific development types, with findings due to be reported to the AI Energy Council in autumn 2026.
- The stated rationale for voluntary uptake: developers may be willing to build in flexible capability voluntarily if doing so earns them an earlier connection date - a market-style incentive rather than a mandate. Greater voluntary uptake is explicitly framed as reducing the need for mandatory backstop measures.
- Energy UK's response calls for data centres **accepting non-firm connections, providing demand-side response (DSR), or co-locating battery energy storage (BESS)** to **receive priority or fast-track treatment** in the Strategic Spatial Energy Plan and NESO connection queues⁴³ - an explicit market-based incentive structure.

11.3 Mandatory backstop: curtailment

Ofgem is separately considering whether NESO needs an additional backstop operational control measure - mandatory curtailment - to retain confidence the system can handle stress events. Ofgem's own assessment is candid about the trade-off: mandatory curtailment could let NESO adopt less conservative security-of-supply assumptions, permitting **more demand to connect faster**, but it "would raise significant investability concerns, may not suit all data centre business models, and is likely to cause significant debate"⁴⁴.

11.4 DESNZ's parallel proposal: mandatory minimum flexibility

DESNZ's strategic demand consultation goes further, exploring whether very large demand users - including data centres - should be required to provide a minimum level of demand flexibility as a condition of connection, enabling NESO to curtail or limit demand during network or system stress within clearly defined parameters, similar to traditional services provided by large generators (coal fired power plants and CCGTs). It separately proposes incentivising (rather than mandating) flexibility for other, non-strategic demand projects through earlier or cheaper grid access. The consultation specifically asks whether risk profiles differ between flexibility activated only during scarcity/stress events, flexibility activated during defined winter peak windows, or flexibility applied more broadly during normal operation⁴⁵.

Where this is heading

Two parallel tracks are running: a voluntary, incentive-based track (earlier connection in exchange for flexibility) favoured by the Flex Technical Taskforce and Energy UK, and a mandatory-minimum track floated by DESNZ for the largest strategic demand users specifically.

⁴²Slaughter and May, 22 June 2026, <https://www.slaughterandmay.com/insights/new-insights/market-update-on-grid-connections-reform/>

⁴³Energy UK, response to "Risks and opportunities to the sustainability of data centres in the UK," 1 April 2026, <https://www.energy-uk.org.uk/wp-content/uploads/2026/04/Energy-UK-response-to-Risks-and-opportunities-to-the-sustainability-of-data-centres-in-the-UK-1-April-2026.pdf>

⁴⁴Slaughter and May, 22 June 2026, <https://www.slaughterandmay.com/insights/new-insights/market-update-on-grid-connections-reform/>

⁴⁵GOV.UK, 11 March 2026, <https://www.gov.uk/government/consultations/accelerating-electricity-network-connections-for-strategic-demand/accelerating-electricity-network-connections-for-strategic-demand-accessible-webpage>

Expect the final position to be tiered: voluntary incentives for the broad market, with a mandatory flexibility floor reserved for the largest, most strategically prioritised projects - those receiving Plan-pillar benefits in exchange for a flexibility commitment.

12. Network Security Standards: N-1 versus N-2

12.1 What N-1 and N-2 mean

Under Engineering Recommendation P2 (the ENA standard defining security of supply for group demand), security is measured in terms of circuit redundancy: N-1 means sufficient remaining network capacity following a single circuit outage; N-1-1 covers a fault outage occurring during a planned maintenance outage; N-2 means sufficient capacity to withstand two simultaneous fault outages⁴⁶. At transmission level, the National Transmission System overall must meet an N-1 standard - defined in legislation as the ability to accommodate peak 1-in-20-year daily demand without the single largest piece of infrastructure on the system⁴⁷.

A GSR023 modification to the NETS **Security and Quality of Supply Standard (SQSS)** clarified that the N-1-1 criterion applies only to transmission plant wholly within NGET's transmission area - i.e. England and Wales - pointing to a real, codified difference in how security criteria are applied across the NGET area versus the separate Scottish transmission licensees (SSEN Transmission and SP Transmission)⁴⁸.

12.2 What the record does and doesn't say

Public sources confirm the existence of an England/Wales-specific N-1-1 provision but do not set out a comprehensive, side-by-side England-versus-Scotland comparison of N-1 versus N-2 application specifically for data centre or other large demand connections. Nor do current Ofgem or government publications propose relaxing the N-1 standard, replacing it, or introducing a bespoke data centre connection security standard - the Statutory Security of Supply Report is explicit that government intends to continue meeting N-1 "out to 2030 and beyond," with no carve-out contemplated⁴⁹. Ofgem's Call for Input does confirm intent to work with NESO to update the SQSS and Grid Code "to uphold consistent grid design, build, operation and safety standards as the system changes"⁵⁰ - signalling that SQSS revision is in scope, but no specific N-1/N-2 relaxation has been proposed.

12.3 The developer's underlying question, unresolved

Whether the UK could relax to N-1 more broadly, whether current tick-box security options are too inflexible, whether a **data centre-specific connection standard is needed**, and whether all connections on a shared substation must sit at the same security standard - is a live and legitimate technical question, but not one current public consultations directly answer. It sits adjacent to, but is analytically distinct from, the firm/non-firm and flexibility debates in Sections 10–11: those concern commercial risk allocation for capacity availability, whereas N-1/N-2 concerns physical network design standards. Given Ofgem's stated intent to review the SQSS, this is a candidate area for Hyperscalers, colocators and developers to flag directly into Ofgem's or NESO's ongoing technical code review work, rather than something answered by the current consultations.

⁴⁶National Grid, "Future of Security of Supply," <https://commercial.nationalgrid.co.uk/downloads-view-reciteme/723314>

⁴⁷DESNZ, Statutory Security of Supply Report 2025, 17 December 2025, <https://www.gov.uk/government/publications/statutory-security-of-supply-report-2025/statutory-security-of-supply-report-2025>

⁴⁸NESO, SQSS GSR023 decision document, <https://www.neso.energy/document/135661/download>

⁴⁹DESNZ, Statutory Security of Supply Report 2025, 17 December 2025, <https://www.gov.uk/government/publications/statutory-security-of-supply-report-2025/statutory-security-of-supply-report-2025>

⁵⁰Ofgem, Demand Connections Reform Call for Input, 13 February 2026, <https://www.ofgem.gov.uk/sites/default/files/2026-02/2026-02-12-Demand-Connections-Call-for-Input.pdf>

13. True Market Demand: Separating Signal from Noise

The "8–15GW rumoured" figure referenced in early industry conversation sits well below Ofgem's headline 125GW and below even the 73GW data centre-specific queue figure, but is broadly consistent with the more conservative, delivery-focused estimates now available:

Estimate	Figure	Basis
Total demand-queue applications	125GW (June 2025), up from 41GW (Nov 2024)	Ofgem, all demand types
Data centre-specific queue	73GW across 315 projects	Ofgem/NESO, Curate consultation
Data centre projects identified by NESO	~50GW across ~140 projects	NESO Demand Queue Call for Input
Data centres with FID (committed)	~20GW across 71 projects	NESO Demand Queue Call for Input
Committed pipeline, confirmed capital	>14GW across 173 schemes	Barbour ABI, via Computer Weekly, Sept 2026
NGED licence-area pipeline	3GW	National Grid Electricity Distribution, Nov 2025
Large-demand pipeline (broad, incl. all sectors)	>100GW total; ~13GW firm before 2030, ~86GW 2030–2035	DataM Intelligence market report

Read together, these converge on a working range of roughly **14–20GW of genuinely committed**, near-term data centre demand - close to, and arguably validating, the lower "8–15GW" industry figure once one excludes projects still years from FID. The remaining 100GW+ headline gap is the speculative overhang Curate is designed to remove⁵¹.

For context on scale, Oxford Economics estimates data centres will represent 8.8% of total UK electricity demand - 30.4% of UK commercial electricity consumption - by the early 2030s⁵², underscoring why government has moved from light-touch queue management to a structural four-pillar reform.

⁵¹The Stack, "As 300+ data centres jostle for new grid connections," 3 August 2026, <https://www.thestack.technology/as-300-data-centres-jostle-for-new-grid-connections-the-uks-energy-regulator-calls-bullsh-t/>

⁵²Oxford Economics, "The UK's data centre boom," 8 December 2025, <https://www.oxfordeconomics.com/resource/the-uks-data-centre-boom-growth-trends-drivers-and-the-rising-power-challenge/>

14. Implications and Recommended Actions

14.1 For projects already in the queue

- Model the DCCF at both ends of the £237,500–£712,500/MW range against your project’s capital structure now - do not wait for the final decision.
- Review readiness against the M0.5.Dc / M2.Dc / M6.Dc evidence gates; gather compute offtaker and financial/technical capability evidence ahead of the requirement, since transitional timing (agreement execution + 12 months for M0.5(DC)) is tight for projects already mid-queue.
- Assess whether your project qualifies, or could qualify, for the reallocation or prioritisation benefits of Plan-pillar strategic demand designation - sponsorship from a government department or Mayoral Strategy Authority is a precondition, so early engagement matters more than the strength of the project alone.

14.2 For projects considering new connections

- Evaluate self-build/transfer or an emerging iTO licence against the standard regulated connection route, particularly for sites within 2km of the transmission system.
- Consider whether accepting a non-firm or ramped connection, or voluntarily offering flexibility, could secure a materially earlier connection date under the current voluntary-incentive framework - before any mandatory flexibility floor is confirmed for strategic projects.
- Track the autumn 2026 Ofgem consultations on Connect and Operate closely: both will define the detailed rules for self-build, iTO, and flexibility that are currently only sketched at a policy level.

14.3 Open questions to monitor

- **DESNZ’s response to the strategic demand** consultation (closed 15 April 2026) - still outstanding as of September 2026, and the single largest unresolved item across all four pillars.
- **Ofgem’s Curate decision**, expected later in 2026, including whether the fee is phased/tiered in response to techUK and other industry feedback.
- The **Flex Technical Taskforce’s findings**, due to the AI Energy Council in autumn 2026, which will materially shape whether flexibility becomes a market opportunity or a compliance obligation.
- Any Ofgem/NESO position on N-1 versus N-2 application, which remains unaddressed in current consultations despite its direct relevance to substation design cost and timeline for data centre connections.

This briefing reflects the position as understood from published sources as of September 2026. Given the pace of consultation activity across all four pillars, developers with live connection applications should treat this as a snapshot to be refreshed ahead of any material commitment decision.