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Insights

OFGEM PROPOSES NEW COMMITMENT FEE TO TACKLE BATTERY STORAGE QUEUE OVERSUBSCRIPTION

Sep 21, 2026

CMP470: What developers need to know

On September 17 2026, Ofgem published a minded-to consultation on CMP470, a proposed modification to the Connection and Use of System Code (CUSC) that would introduce an Oversubscribed Technologies Commitment Fee (OTCF). If approved, the OTCF will require developers of Battery Energy Storage System (BESS) projects to demonstrate enhanced financial commitment to retain their positions in the connections queue. The consultation closes on **October 1 2026**.

The problem: an oversubscribed battery queue

Approximately 90GW of BESS capacity is currently either operational or holds Gate 2 status in the reformed connections queue, against an estimated Clean Power 2030 requirement of around 29GW by 2035. At the time of implementing the TM04+ reforms, a degree of BESS oversubscription was anticipated due to the protections embedded for progressed projects. However, the resulting level of BESS oversubscription is materially greater than anticipated.

NESO and the Transmission Owners (TOs) must plan and invest in network infrastructure on the assumption that all Gate 2 projects may connect. Ofgem is therefore concerned that a heavily oversubscribed queue risks distorting network planning, tying up scarce grid capacity and creating a risk that consumers will bear the cost of infrastructure built for projects that never materialize. Ofgem's Initial Impact Assessment (IIA) estimates that persistent oversubscription could generate approximately £460 million of inefficient network costs.

What is the OTCF and how would it work?

Under the Original Proposal (which Ofgem is minded to approve), the OTCF would operate as follows:

- **Activation threshold:** The OTCF activates when a technology's contracted capacity exceeds its target requirement by more than 50%, and ceases to apply once oversubscription falls below

25%.

- **Starting level:** £3,000/MW, rising to £5,000/MW after six months (where oversubscription is not sufficiently reduced) and thereafter increasing by £5,000/MW every six months, up to a maximum of £25,000/MW.
- **Mechanism:** The OTCF would be applied through the existing user commitment framework, setting a minimum floor for a project's Cancellation Charge and Cancellation Charge Secured Amount. Projects already above the floor are unaffected.
- **Duration:** The fee would apply from Gate 2 offer acceptance until project energization (or the exit of the project from the queue). Securities would be either returned (on project connection) or forfeited (on exit) in accordance with the existing security regime.
- **Co-location exemption:** Certain co-located projects that do not increase Transmission Entry Capacity and require only limited additional works would be exempt.
- **Governance:** NESO would assess oversubscription levels biannually and determine whether to activate or increase the OTCF, with Ofgem retaining the power to direct otherwise.

If approved, the OTCF would be implemented into the CUSC 10 business days after a final Ofgem decision. However, activation would be deferred until a 'sufficiently complete and stable' view of the connections queue is available following the completion of the G2tWQ process and the first CMP434 Gated Application Window. Under current assumptions, Ofgem expects the OTCF would first be reflected in the July 2027 securities statement, with resulting securities becoming payable from October 2027.

Consequences for battery storage developers and investors

The OTCF is squarely aimed at the BESS sector. Although designed as a technology-neutral mechanism, BESS is currently the only technology that breaches the oversubscription threshold. The OTCF is explicitly designed to force developers to reassess project viability sooner than they otherwise would. Developers holding queue positions for early-stage BESS projects will need to decide more quickly whether the additional financial exposure is justified.

Ofgem considers that, over time, this would benefit both developers and network companies from a more credible and deliverable connections queue, providing greater confidence in network planning assumptions and allowing resources to be allocated more efficiently, while saving consumer costs by avoiding inefficient network development.

However, the IIA indicates that around 89% of BESS projects currently have securities below £3,000/MW. More than 25% have no securities exposure at all. The introduction of the OTCF would therefore impose a new, meaningful financial obligation (up to £25,000/MW) on a substantial majority of projects in the queue, which developers and their investors should bear in mind.

CMP470 also envisages an escalation mechanism which means that developers who remain in the queue while the market remains oversubscribed will face progressively increasing financial commitments every six months. Given the extent of the current oversupply, it is realistic to expect the fee to escalate before the deactivation threshold is reached.

The risk of forfeiting such sums is material, particularly given that project progress is influenced by factors outside a developer's control. Planning consent, for example, could be refused after a Gate 2 offer has been made, which could lead to queue exit and the levy of significant Cancellation Charges.

Ofgem acknowledges that access to capital varies between developers and that the OTCF could influence outcomes based on a developer's ability to provide security rather than solely on project viability. They also acknowledge stakeholder concerns regarding investment certainty and implementation complexity, particularly the argument that introducing additional commitment requirements for projects that have already secured queue positions could affect perceptions of regulatory and financing risk. However, Ofgem's provisional view is that the benefits outweigh the potential adverse impacts.

This is a further indicator of greater regulatory intervention in the management of the connections queue. Developers with BESS projects in the connections queue should carefully assess their exposure and consider engaging with the consultation process.

Next steps and how to respond

The consultation window is short: responses must be submitted by October 1 2026 to connectionspolicy@ofgem.gov.uk. Ofgem expects to publish its final decision later in 2026. Developers, investors and other stakeholders should consider whether to respond to the questions contained in the Minded-to Consultation, which also includes a series of Workgroup Alternative CUSC Modifications including (amongst others) lowering the OTCF level, varying (or removing) the proposed co-location exemption, and linking the duration of the OTCF to certain Queue Milestones.

Please do not hesitate to get in touch with the team for assistance in assessing implications for project structures and financing or in preparing consultation responses.

Related capabilities

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