

Ofgem Approves Great Britain's Grid Connections Reform

The reform aims to prioritise “ready” and “needed” projects for grid connection.

On 15 April 2025, the energy regulator for Great Britain, Ofgem, made its final decision to reform the electricity grid connection process, specifically by approving the National Energy System Operator's (NESO's) Target Model Option 4 (TMO4+) package of connection reform proposals.

The TMO4+ package of reforms will accelerate the grid connections for priority projects by replacing the current “first come, first connected” process with a “first ready and needed, first connected” process, which is based on project advancement and aligned with the technology mix required to achieve the government's strategic plan. The reforms will necessitate a realignment of the existing grid connection queue, which will affect most existing projects seeking grid connection, including projects with an existing grid connection agreement but which are not yet connected.

Ofgem says so-called “zombie” projects (i.e., projects that have secured a place in the queue for grid connection but are not progressing or cannot be developed quickly due to the absence of land rights or planning consents) will no longer hold up the queue for connection to the grid.

This reform is a significant step in improving the electricity connection process in Great Britain, and crucial for achieving at least 95% of Great Britain's electricity generation from clean power by 2030 (the CP2030 Action Plan). However, some in the industry expect this may drive divestments by poorly capitalised project developers.

Background

Grid connection delays are one of the most significant challenges facing power projects. According to Ofgem, waiting times in the electricity connections queue are too long, the connections rate is too slow, and the mix of generation and storage projects in the queue is misaligned with system need. Under the current grid application process, projects hold network capacity and queue positions even if they are not ultimately needed: as of February 2025, 756 gigawatt worth of projects were in the queue, with 587 gigawatt at transmission and 178 gigawatt on the distribution network. These figures significantly exceed the capacity required to achieve the CP2030 Action Plan or net zero by 2050. Consequently, the place of such projects in the queue, and the large size of the queue, prevent in-scope but under-supplied technologies from connecting (either existing projects advancing in the queue or new projects connecting) within the requisite time for achieving the CP2030 Action Plan. According to the Department for Energy Security and Net Zero (DESNZ), companies are waiting up to 15 years to be connected, leaving

promising businesses grid-locked, and over the last five years, the grid connection queue has grown tenfold.

The uncertain pace of connections is risking the confidence of existing investors and reducing the confidence amongst new participants, with new connection offer dates for generation and demand extending into the 2040s.

First Ready and Needed, First Connected

The TMO4+ reform package enables a new connections process that:

- prioritises “ready” projects — the Gate 2 queue is made up of projects that are demonstrably viable and progressed (e.g., owning exclusive land rights or having sufficiently progressed their planning status) (the Readiness Criteria);
- prioritises “needed” projects — the Gate 2 queue is made up of projects that best meet current and future system needs, and meet strategic alignment criteria under the CP2030 Action Plan, as well as any future strategic alignment criteria set by the government (e.g., the Strategic Spatial Energy Plan for large-scale electricity and hydrogen generation and storage (SSEP)), with demand-only projects being automatically deemed as “needed” (the Strategic Alignment Criteria);
- deprioritises those projects that do not meet the criteria to an indicative Gate 1 queue; and
- preserves the mix of ready projects aligned with the Strategic Alignment Criteria, with projects that drop out being replaced by projects of the same technology.

Certain projects in the existing queue will be protected, and protected projects will be automatically deemed as “needed” projects meeting the Strategic Alignment Criteria. Projects due to commission in 2026/2027 as well as other “significantly progressed” projects will be deemed to meet the Strategic Alignment Criteria, meaning they are guaranteed to receive a Gate 2 offer, provided they have met the Gate 2 Readiness Criteria.

Smaller generation and storage projects, and all demand projects connecting at distribution, are out of scope, while projects connecting at transmission or generation, and storage projects connecting at distribution that qualify for Transmission Impact Assessment (TIA), are within scope. Transmission-connected demand, wave, tidal, and non-British generation projects will be deemed as “needed” projects meeting the Strategic Alignment Criteria.

Industries of the future, ranging from data centres and AI to wind and solar projects, will be pushed to the front of the queue for grid connections, but according to NESO will remain subject to the GB-wide capacity range for the relevant technology set out in the Connections reform annex of the CP2030 Action Plan for each of Phase 1 (2026-2030) and Phase 2 (2031-2035):

Technology	Phase 1 (2030)	Phase 2 (2035)
	Capacity range (GW)	Capacity range (GW)
Offshore wind	43-50	72-89
Onshore wind	27-29	35-37

Solar	45-47	45-69
Nuclear	3-4	4-6
Low-carbon dispatchable power	2-7	Up to 25
Unabated gas	35	Subject to separate NESO designation process
Long-duration electricity storage	4-6	5-10
Batteries	23-27	24-29
Interconnectors	12-14	17-24

Needless to say, some industry commentators have queried whether the reforms might place an arbitrary cap on otherwise viable projects but, overall, the net benefit of the reforms have been welcomed.

Licence Standstill and Queue Realignment

Ofgem's decision triggers a mandatory 56-day licence standstill period commencing on 15 April 2025 and ending on 10 June 2025, after which the formal process of assessing all existing offers against the new criteria will begin.

Except for certain exempt projects, most UK projects seeking grid connection will need to apply for a Gate 1 or Gate 2 offer, even if they already have a connection agreement.

NESO will invite customers to submit evidence of progression and Strategic Alignment for assessment within an evidence submission window. The earliest the Gate 2 window could open is in July 2025 for transmission-connected projects, and in May 2025 for distribution-connected projects.

NESO will then make Gate 1 indicative offers to those projects not yet "ready" or "needed", and will make Gate 2 offers to projects that meet the Readiness Criteria and Strategic Alignment Criteria. Ofgem expects a sizeable increase in Gate 2 offers, from 39 gigawatt to 65 gigawatt.

NESO will indicate which projects have secured a place in the reformed queue from September 2025, and will begin issuing revised offers from autumn 2025, with pre-2030 connection offers being prioritised.

If a project is unsuccessful in obtaining a Gate 2 offer, or a connection agreement is terminated because the relevant project exceeds the Phase 1 capacity range and does not qualify as a "protected project", NESO will publicise details of available capacity in an attempt to reallocate available capacity or offer advancement to other viable projects that may step in to fill any such gaps. Unsuccessful projects may reapply in the planned six-monthly application windows.

Market Consolidation

The reforms will likely result in market consolidation. NESO's revised offers will include commitment milestones, including, for example, pursuing planning permission if not yet obtained. Developers that

have limited means to satisfy such milestones will therefore be forced to divest their project developments to independent power producers (IPPs) that are in a position to finance and build them.

Increased Investor Confidence for “Ready and Needed” Projects

The reforms will prioritise businesses that can deliver clean energy, drive growth, and provide energy security.

Following £43.7 billion of private investment being announced in the UK clean energy sector since July 2024, Ofgem expects the reforms to unlock an average of £40 billion of mainly private investments a year in clean energy infrastructure, with £30 billion for generation assets and £10 billion for grid infrastructure being required to achieve the CP2030 Action Plan, according to projections by DESNZ and NESO.

Market participants expect that these changes will have a very positive impact on enabling investments in both construction and development stage projects that would not otherwise have been possible as they will allow investors to better allocate funding to projects that are needed by the system. Delay and uncertainty regarding connection has historically been a block to financing. However, early-stage investors will need to carefully consider a potential project’s fit with the Strategic Alignment Criteria in order to assess its chances of obtaining a Gate 2 offer.

If you have questions about this Client Alert, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

Conrad Andersen

conrad.andersen@lw.com
+44.20.7710.4532
London

Simon J. Tysoe

simon.tysoe@lw.com
+44.20.7710.4635
London

John Guccione

john.guccione@lw.com
+44.20.7710.1030
London

Tom Bartlett

tom.bartlett@lw.com
+44.20.7710.4745
London

Evelyne Giro

evelyne.giro@lw.com
+44.20.7710.3059
London

You Might Also Be Interested In

[Latham in Focus: Investing in Europe’s Data Center Boom](#)

[Financing the Future of Fission: A Nuclear Renaissance and the Promise of SMRs](#)

[Energy & Infrastructure Insights — Large Battery Systems: The Key to an Affordable Energy Transition in Germany](#)

Client Alert is published by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. A complete list of Latham’s Client Alerts can be found at www.lw.com. If you wish to update your contact details or customize the information you receive from Latham, [visit our subscriber page](#).