

UK Grid-Queue Finance: Lending against Connection Rights before Capacity Goes Live

An Evidence-Gated Framework for Readiness, Milestones, Liquidity and Downside Recovery

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Abstract

An accepted electricity connection offer can be commercially valuable long before the network capacity becomes physically available. It can also be conditional, time-bound, exposed to reform, dependent on land and planning evidence, subject to milestone compliance and costly to preserve. For a lender, the central problem is therefore not whether a project has a place in a queue. The problem is whether the borrower holds a durable package of contractual rights, property interests, consents, evidence and funded obligations that can survive until energisation, support completion and produce a credible recovery route if the project fails.

This paper develops a UK Grid-Queue Finance Framework for lenders, sponsors, infrastructure investors and transaction advisers. It reflects Great Britain's move from first-come, first-served allocation towards evidence-led, gated connection processes. The framework separates a connection application, Gate 1 status, Gate 2 status, an executed connection agreement, a protected queue position, network works, non-firm access, backfeed, energisation and operational capacity. It maps land rights, planning, technology alignment, queue-management milestones, securities, connection charges, network dependencies, change control and termination exposure into financing conditions. It then links those conditions to collateral, drawdown limits, cost-to-complete tests, reserve sizing, sponsor support, covenant design and enforcement planning.

The worked case is wholly hypothetical. A 200 MW battery storage project holds an executed transmission connection agreement and qualifies for a Gate 2 offer. Total development and construction cost is assumed at GBP 172 million, including GBP 18 million of connection and network-related expenditure. A GBP 24 million pre-energisation facility funds eligible development expenditure, securities, deposits and long-lead commitments before construction debt becomes available. The case assumes a scheduled energisation in month 42, a 12-month delay reserve, a minimum 1.35 times forward debt-service coverage test for conversion and sponsor-funded cost overruns. The central case reaches energisation on the revised programme. The delay case consumes reserves and requires an equity cure. The severe case assumes loss of a material milestone or inability to preserve the connection package and tests sale, transfer, redesign and enforcement routes. The figures do not describe an identified borrower, project, network company or financing.

The analysis concludes that connection rights should be financed as a changing bundle of rights and obligations rather than as a single intangible asset. A lender should verify the legal holder, transfer restrictions, termination events, milestone evidence, required securities, network dependencies, remaining expenditure and consistency between the connection date and every other project contract. Advance rates should rise only as evidence and recoverability improve. A financing structure should maintain enough liquidity to preserve the project through a defined delay, stop further draws when the package

deteriorates and identify who can complete, acquire or restructure the project if capacity does not go live on time.

JEL Classification: G21, G28, G31, G32, L94, Q40

Keywords: UK grid queue, connection rights, project finance, construction debt, Gate 2, grid readiness, energisation, queue management, infrastructure lending, downside recovery

1. Define the financed asset

The decision question is what the lender is actually financing before electricity capacity becomes operational. The evidence file should begin with the executed connection agreement, project rights, land package, consents, studies, programme, securities and corporate ownership. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [1][2]

The principal failure is that a queue position is described as a standalone asset even though value depends on an integrated and conditional project package. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to define the financed package, excluded value and evidence required for each advance. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

2. Use a connection-status dictionary

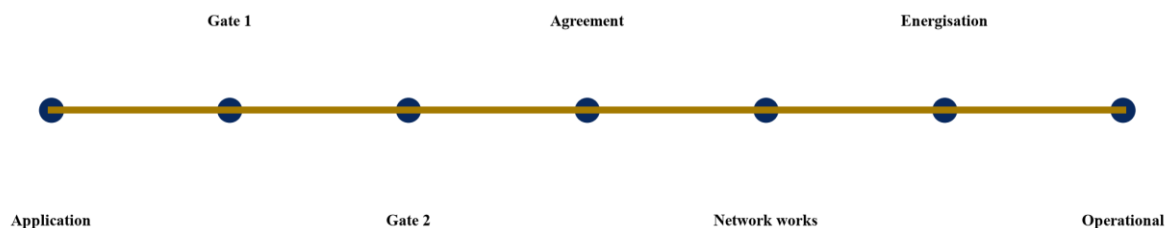
The decision question is how application, Gate 1, Gate 2, agreement, works, backfeed, energisation and operational capacity differ. The evidence file should begin with NESO and network-company rules, offers, agreements, notices, methodologies and technical approvals. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [3][4]

The principal failure is that participants use the word connection for legally and economically different states. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to adopt one status dictionary and prohibit value attribution beyond the evidenced state. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Figure 1. Connection status is a sequence of distinct legal and operational states



Conceptual framework based on official connections-reform materials; project documents determine actual status.

Table 1. Connection-status evidence dictionary

State	Minimum evidence	Financing treatment
application	accepted submission and fee	no capacity value
Gate 1	issued indicative offer	development evidence only
Gate 2	readiness and alignment determination	conditional milestone value
executed agreement	signed rights and obligations	financeable subject to review
network works	certified progress and current programme	higher advance subject to funding
energisation	written authority and tested capacity	completion test input

Proposed definitions; official methodologies and executed agreements control treatment.

3. Test Gate 2 readiness

The decision question is whether the project satisfies applicable readiness and strategic-alignment requirements. The evidence file should begin with readiness declarations, land evidence, planning route, technology classification and official guidance. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [3][5]

The principal failure is that a prior offer is assumed to survive queue reform without complete or current evidence. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to independently reconcile every Gate 2 criterion to dated and reviewable evidence. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

4. Verify the legal holder

The decision question is which entity owns each connection right and bears each obligation. The evidence file should begin with company records, executed agreements, accession documents, land interests and organisational chart. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [6][7]

The principal failure is that connection rights, land and the borrowing entity sit in different companies without enforceable linkage. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to align ownership or create enforceable assignments, security and completion rights. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

5. Map land and planning dependencies

The decision question is which property rights and planning steps support continued readiness and construction. The evidence file should begin with options, leases, easements, letters of authority, planning status, conditions and expiry dates. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [2][8]

The principal failure is that a project preserves a connection date while land control or consent assumptions expire. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to maintain a dependency schedule linking each property and planning event to the connection package. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

6. Read the connection agreement as a cash contract

The decision question is which payments, securities, milestones, liabilities and termination rights create value or loss. The evidence file should begin with the full agreement, construction programme, charging statements, securities and correspondence. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [9][10]

The principal failure is that the headline capacity and date receive attention while payment and termination obligations remain unfunded. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to convert every obligation into a dated cash, evidence and remedy schedule. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Table 2. Connection-agreement cash map

Obligation	Evidence	Financing response
application and study fees	invoices and receipts	sunk-cost classification
securities	instrument and expiry	reserve and renewal control
network charges	statement and schedule	funded use
milestones	notice and evidence standard	covenant and draw gate
change costs	modification terms	consent and contingency
termination liability	agreement and estimate	downside reserve

Proposed review structure; executed terms determine actual exposure.

7. Separate firm and flexible access

The decision question is what capacity can operate, under which constraints, before all reinforcements are complete. The evidence file should begin with technical offer, active-network-management terms, curtailment rules, protection design and operating data. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [1][11]

The principal failure is that non-firm access is modelled as uninterrupted firm capacity. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to model constrained operation, curtailment and revenue eligibility explicitly. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

8. Rebuild sources and uses

The decision question is how development, land, planning, grid securities, network charges, equipment, construction and financing costs are funded. The evidence file should begin with contracts, budgets,

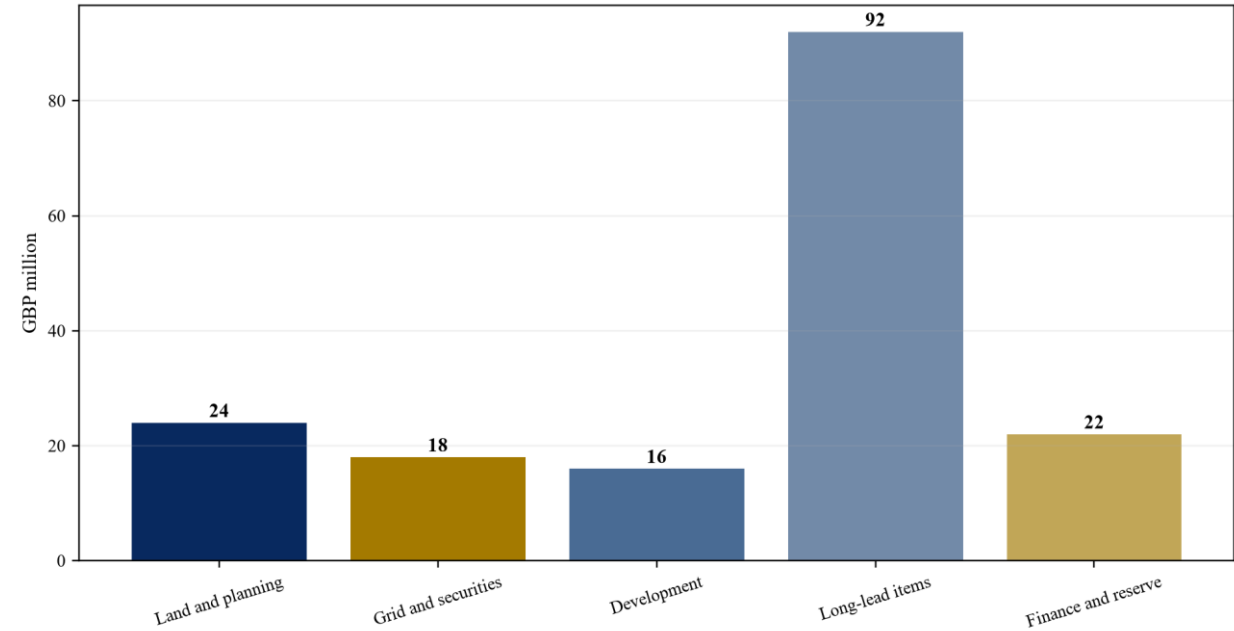
invoices, network estimates, financing terms and sponsor evidence. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [12][13]

The principal failure is that connection preservation costs and network liabilities are omitted from project cost. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to reconcile all uses to committed funding and distinguish refundable, recoverable and sunk amounts. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Figure 2. Hypothetical pre-energisation sources and uses



Wholly hypothetical; GBP million.

9. Size a pre-energisation facility

The decision question is which costs are eligible before construction and operating cash exist. The evidence file should begin with verified expenditure, valuation evidence, milestone status, remaining funding and takeout conditions. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [12][14]

The principal failure is that the facility is sized as a percentage of forecast enterprise value rather than supported cost and recovery. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to cap exposure at the lower of eligible cost, milestone advance rate and stressed recovery. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Table 3. Pre-energisation facility sizing

Eligible component	Principal evidence	Advance constraint
land rights	enforceable title or option	stressed transferable value
planning and studies	completed deliverables	supported cost
grid securities	enforceable recovery terms	net recoverable amount
network payments	agreement and invoice	milestone-adjusted value
long-lead equipment	title, inspection and assignment	liquidation value
interest and fees	controlled budget	funded reserve

Proposed method; values and advance rates require transaction-specific evidence.

10. Sequence sponsor equity

The decision question is when sponsor cash absorbs development, reform, delay and overrun risk. The evidence file should begin with bank evidence, escrow, shareholder instruments, funding notices and subordination terms. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [14][15]

The principal failure is that future equity commitments are treated as cash available to preserve the connection package. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to require funded equity before debt and automatic replenishment when the budget becomes unbalanced. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

11. Design drawdown gates

The decision question is which legal, technical, property, grid and funding evidence permits each advance. The evidence file should begin with draw request, invoices, milestone register, title update, budget, engineer report and compliance certificate. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [12][16]

The principal failure is that debt exposure rises while connection readiness or remaining funding deteriorates. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to condition every draw on current readiness, balanced funding and no unresolved termination trigger. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

12. Create a milestone control system

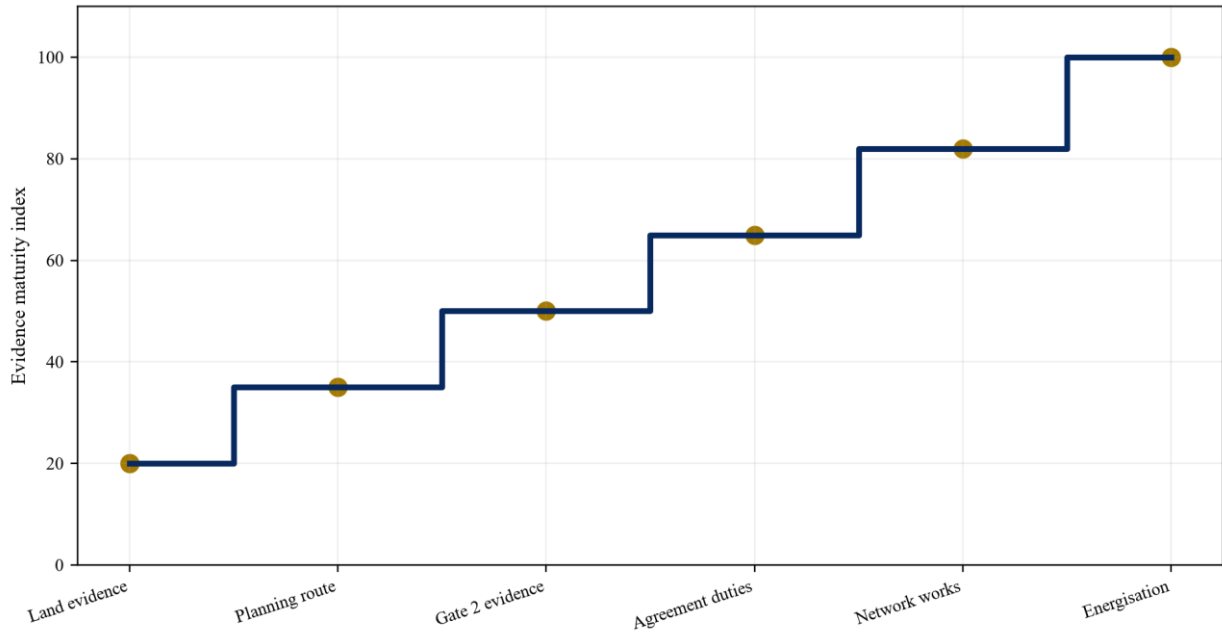
The decision question is how queue-management, contractual, planning and construction milestones interact. The evidence file should begin with agreement schedules, official methodology, notices, baseline programme, owners and evidence repository. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [5][17]

The principal failure is that teams track dates in separate systems and miss a dependency or cure period. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to use one controlled register with evidence, lead time, consequence and escalation threshold. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Figure 3. Milestone control map



Proposed governance sequence; actual milestones and consequences are contract-specific.

Table 4. Milestone dashboard

Milestone	Evidence owner	Warning indicator	Lender action
land readiness	sponsor and counsel	expiry or title defect	stop draw and cure
planning	planning adviser	unclosed condition	resize programme
Gate 2	sponsor and grid adviser	evidence rejection	reassess value
connection duty	sponsor and network party	missed payment or notice	fund or protect
network work	engineer and network party	delay or scope change	update liquidity
energisation	network party	failed test or no authority	block conversion

Proposed governance; each project requires its own agreement-led milestones.

13. Control modifications and change

The decision question is which design, capacity, date, technology, ownership or land changes require approval. The evidence file should begin with change procedures, gated-modification guidance, lender consent rights and updated studies. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [18][19]

The principal failure is that a commercial change unintentionally reopens or weakens the connection position. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to screen each proposed change for grid, planning, cost, contract and financing consequences before commitment. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

14. Diligence network dependencies

The decision question is which reinforcements, third-party projects, outages and approvals sit outside borrower control. The evidence file should begin with network programme, dependency map, outage plan, delivery updates and interface agreements. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [1][20]

The principal failure is that the borrower programme treats a network target date as an unconditional delivery promise. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to identify external dependencies, evidence owner and funded delay response. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

15. Value connection expenditure conservatively

The decision question is which deposits, securities, charges and completed works have recoverable value. The evidence file should begin with payment records, security instruments, refund provisions, completed assets and legal advice. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [9][21]

The principal failure is that book cost is assumed recoverable despite termination deductions and limited transferability. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to value each item by legal recovery route, time, cost and counterparty credit. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

16. Define collateral and control

The decision question is which shares, accounts, land rights, contracts, receivables, insurance and project rights secure the facility. The evidence file should begin with security documents, account controls, assignments, acknowledgements, consents and legal opinions. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official

reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [7][12]

The principal failure is that the lender has security over the borrower while critical rights cannot be assigned or exercised. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to obtain the strongest permitted control package and price residual transfer risk. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Table 5. Security and control matrix

Asset or right	Control sought	Residual risk
borrower shares	first-ranking charge	entity-level liabilities
land interests	mortgage or assignment	consent and expiry
connection package	assignment and acknowledgement	transfer restriction
project accounts	account control	permitted leakage
material contracts	assignment and step-in	termination on default
insurance proceeds	loss-payee protection	coverage exclusions

Proposed matrix; legal opinions and counterparty consents determine enforceability.

17. Test transferability

The decision question is whether a lender or buyer can preserve, transfer or novate the connection package after default. The evidence file should begin with agreement restrictions, code requirements, network consent process, land assignment and buyer eligibility. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [6][18]

The principal failure is that a valuation assumes a liquid market for rights that cannot be transferred independently. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to base recovery on the executable transaction structure rather than an assumed standalone sale. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

18. Align construction and supply contracts

The decision question is how equipment, EPC, land, offtake and network dates fit the connection programme. The evidence file should begin with integrated schedule, contracts, notice dates, delay regimes, warranties and termination rights. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [13][22]

The principal failure is that the project pays for equipment or capacity before the grid path can support use. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to sequence commitments and cancellation rights around evidenced connection progress. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

19. Build the delay-liquidity model

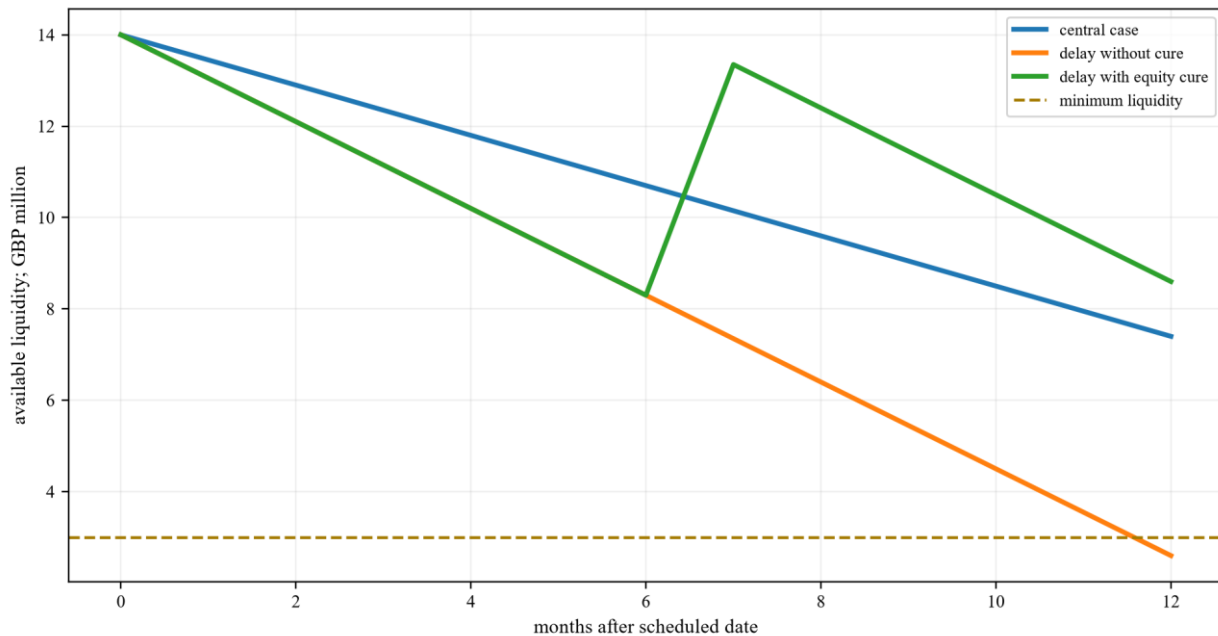
The decision question is how interest, fees, securities, staff, land, equipment and network payments continue during delay. The evidence file should begin with monthly cash model, reserve accounts, committed equity, payment schedule and downside actions. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [14][23]

The principal failure is that the project remains economically attractive but loses its position because liquidity expires. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to fund a coherent delay period and establish decision points before minimum cash is reached. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Figure 4. Hypothetical liquidity during a twelve-month energisation delay



Wholly hypothetical; GBP million and excludes any unidentified project.

20. Design covenants and stop-draw events

The decision question is which readiness, milestone, funding, cost, date and legal failures require intervention. The evidence file should begin with facility terms, compliance certificates, milestone dashboard and cure mechanics. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [12][16]

The principal failure is that financial covenants react after the connection package has already weakened. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to use forward-looking project covenants tied to evidence and defined remedies. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

21. Define the takeout

The decision question is which conditions permit construction debt, operating debt, equity sale or refinancing. The evidence file should begin with term sheets, completion tests, grid status, customer or route-to-market contracts, valuation and coverage. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [12][24]

The principal failure is that a future refinancing is treated as committed despite unsatisfied conditions or expiry. Pre-energisation debt converts future network access into funded exposure before stable operating

cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to model takeout as conditional and maintain an alternative funding route. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

22. Apply the hypothetical financing case

The decision question is how a GBP 24 million facility behaves across a 42-month connection programme. The evidence file should begin with the stated hypothetical project cost, grid expenditure, reserve, equity and timing assumptions. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [14][23]

The principal failure is that a single base case conceals exposure growth and liquidity demands during delay. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to show monthly draws, milestone evidence, remaining funds and recovery under three coherent cases. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Table 6. Hypothetical financing case

Metric	Central assumption	Delay or range
project capacity	200 MW	150-200 MW
total project cost	GBP 172m	GBP 172m-195m
grid-related cost	GBP 18m	GBP 18m-27m
pre-energisation facility	GBP 24m	capped at GBP 24m
sponsor equity before takeout	GBP 42m	GBP 42m plus cures
scheduled energisation	month 42	month 48-60
delay reserve	GBP 14m	GBP 14m plus equity
forward conversion DSCR	1.35x	1.20x-1.35x

Wholly hypothetical; figures do not describe an identified project or financing.

23. Set milestone-linked advance rates

The decision question is how eligible debt increases as readiness, planning, land and network evidence strengthen. The evidence file should begin with cost ledger, milestone status, valuation, remaining

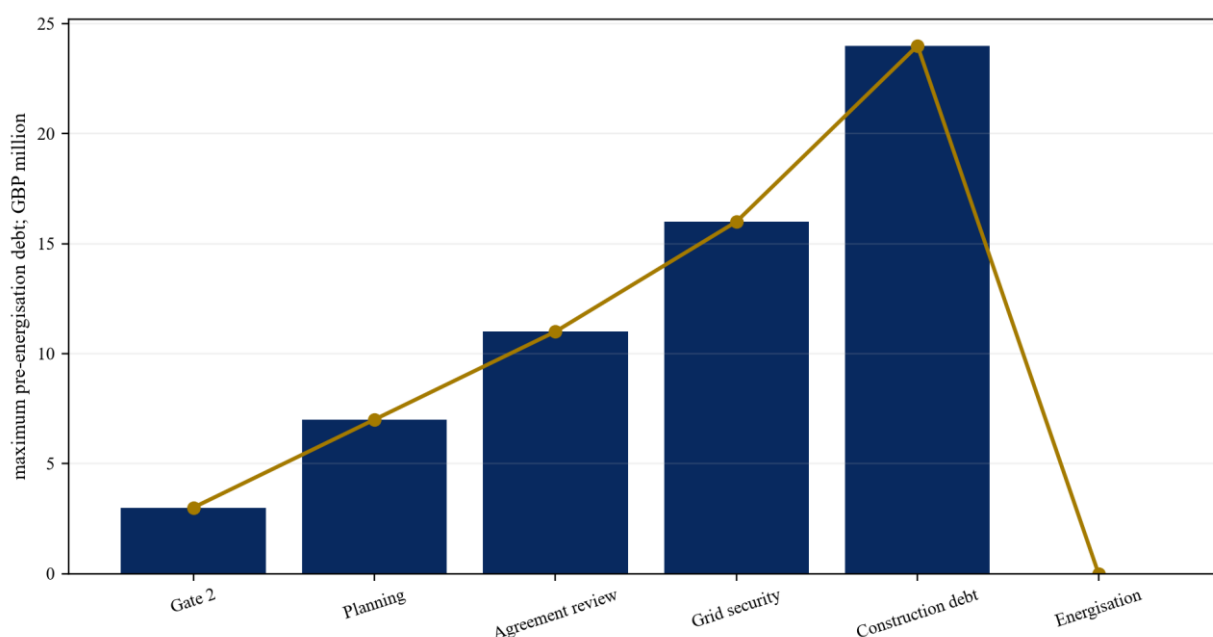
expenditure and recovery analysis. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [12][21]

The principal failure is that a fixed advance rate ignores material changes in enforceability and recovery. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to increase availability only after objective evidence and reduce it when the package deteriorates. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Figure 5. Illustrative milestone-linked facility availability



Wholly hypothetical; availability remains subject to all finance-document conditions.

24. Stress queue and energisation risk

The decision question is which combinations of reform, milestone failure, network delay, cost overrun and higher rates impair repayment. The evidence file should begin with official decisions, agreement terms, programme, budget, liquidity and market evidence. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [4][23]

The principal failure is that single-variable sensitivities overlook compounding legal and cash effects. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to run coherent delay, modification, capacity-reduction and termination scenarios. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

25. Plan downside recovery

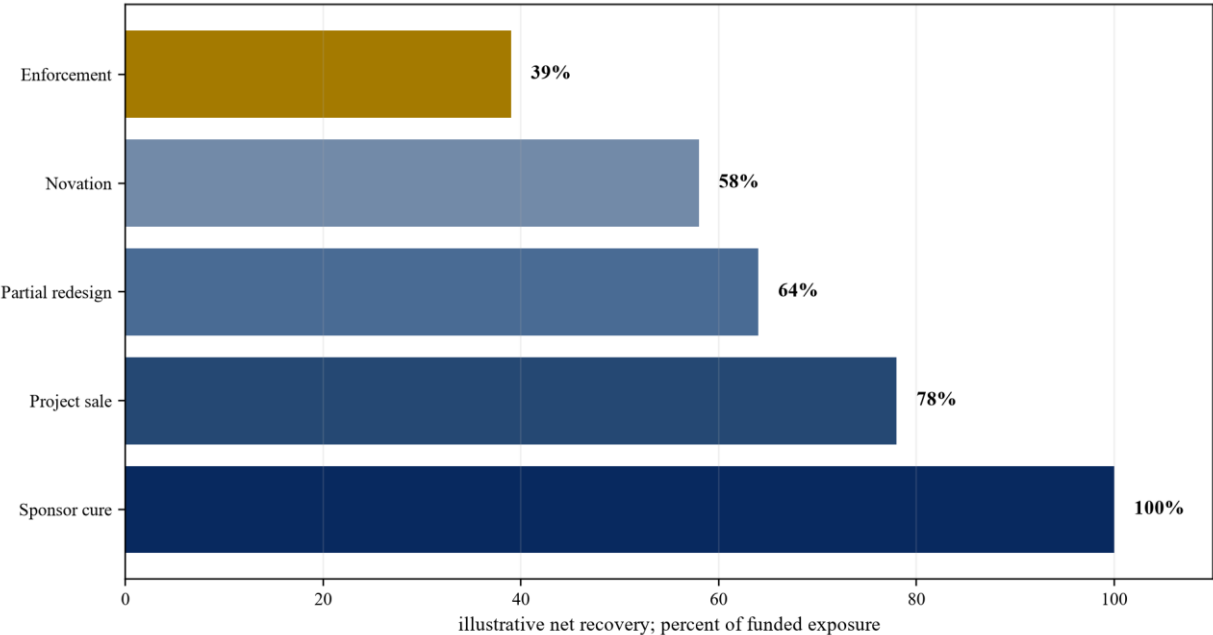
The decision question is whether cure, redesign, partial capacity, sale, novation, completion or enforcement preserves value. The evidence file should begin with rights package, buyer universe, remaining cost, consents, tax, time and specialist advice. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [7][21]

The principal failure is that an enterprise valuation substitutes for executable net recovery. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to compare net proceeds and probability by route after all costs and delays. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Figure 6. Hypothetical net recovery by route



Wholly hypothetical; values are illustrative percentages of funded exposure.

26. Govern information and decisions

The decision question is which party owns each evidence item, forecast, exception and approval. The evidence file should begin with data room, responsibility matrix, reporting calendar, issue log and committee record. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [12][16]

The principal failure is that critical updates arrive as narrative without reconciled impact on funding or recovery. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to use a monthly evidence certificate and exception-led credit review. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

27. Translate diligence into documents

The decision question is which condition, representation, covenant, reserve, guarantee and remedy allocates each risk. The evidence file should begin with diligence findings, model, legal review, technical report and draft facility. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [7][12]

The principal failure is that risks appear in the credit paper without becoming enforceable controls. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists. The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to map every material dependency to a finance term, owner, deadline and remedy. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

28. Reach the lending decision

The decision question is whether the connection package, funded preservation plan, takeout and recovery justify exposure. The evidence file should begin with status dictionary, readiness file, agreement review, balanced budget, downside cases and security package. Each item should record its source, date, legal owner, responsible person, expiry or review date and relationship to the current programme. Official reform objectives provide context. Executed project documents determine rights, cash obligations and remedies. [1][24]

The principal failure is that strategic demand for capacity displaces project-specific evidence. Pre-energisation debt converts future network access into funded exposure before stable operating cash exists.

The lender needs an observable chain from the current legal position to the next milestone, the funding required to reach it and the value preserved if progress stops.

The recommended response is to approve only the exposure that verified rights, funded obligations and credible recovery support. Management estimates may support scenarios when identified as assumptions and reconciled to external evidence. The central case should retain current rights, committed funding and costed obligations. The downside should combine related grid, planning, construction and financing effects.

The credit record should state funded exposure, the next evidence gate, remaining cost, minimum liquidity, cure period and recovery route. It should identify the party able to act, required consent and the last date for value-preserving intervention.

Table 7. Lending-decision record

Decision	Evidence required	Possible action
commitment	verified package and balanced funding	approve or resize
each draw	current milestones and eligible cost	fund, defer or stop
modification	impact analysis and required consents	approve or reject
delay	liquidity, cure and recovery update	cure or restructure
takeout	energisation and financing conditions	refinance or extend
deterioration	quantified legal and cash effect	protect, sell or enforce

Proposed governance; transaction-specific approvals remain necessary.

Frequently asked questions

Q: Can a UK grid connection right be used as loan collateral? A: The lender can take security over the project company and the wider rights package where law and contracts permit. The connection agreement may restrict assignment, transfer or step-in. Legal review, counterparty consents and the integrated land and planning package determine enforceability and recovery.

Q: Does Gate 2 status guarantee energisation on the stated date? A: Gate 2 status supports a confirmed place in the reformed queue when applicable criteria are met. Physical energisation still depends on agreement obligations, network works, project milestones, technical approvals and continuing compliance.

Q: What costs can a pre-energisation facility finance? A: Eligible costs may include evidenced land, planning, studies, grid securities, network payments, development work, selected long-lead equipment and controlled financing reserves. Each item should satisfy agreed cost, ownership, transfer and recovery tests.

Q: How should a lender value grid securities and deposits? A: The lender should review the instrument, beneficiary, expiry, call conditions, refund rights, termination deductions and time to recovery. Book value should not substitute for net recoverable value.

Q: What should stop further draws? A: Examples include failure of a readiness or contractual milestone, a funding shortfall, expired land rights, an adverse modification, loss of required consent, material network delay, insufficient liquidity or a termination notice.

Q: How should non-firm or flexible access be modelled? A: The model should reflect actual capacity, curtailment rules, operating windows, compensation arrangements, technical constraints and the effect on the relevant revenue contract. Flexible access should not be represented as continuous firm service.

Q: What is the most important delay protection? A: A coherent package is required: funded liquidity, sponsor support, current securities, contractual cure rights, aligned equipment commitments, reporting and decision dates that occur before cash or rights expire.

Q: What is the central recovery question? A: The lender should identify who can acquire or complete the integrated project package, which consents are required, how long the process takes and the net proceeds after remaining expenditure, liabilities, tax and transaction costs.

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