

UK - POWERING THROUGH 2025:

Legal Hurdles
and Opportunities



POWER SECTOR Q&A

WHAT ARE 4 KEY LEGAL CHALLENGES AND OPPORTUNITIES FOR THE NEXT 12 MONTHS IN THE UK

1. FOR DEVELOPERS OF RENEWABLE GENERATION ASSETS?



Developers of renewable energy generation assets in the UK face significant legal uncertainty, which is posing real challenges for new project development.

Grid connection reform has been the main focus for many renewable developers in Q1 2025. The Government's Clean Power 2030 Action Plan proposed reforms aim to get more low carbon generation capacity connected to the grid more quickly by removing unviable projects from the waiting list, reordering the back-log to prioritise 'strategically aligned' projects and to accelerate connection timelines. These reforms are welcome in principle – the promise of "first ready, first connected" makes logical sense and has been welcomed by the market – however there are two main issues which developers have been concerned with. The first is grappling with the practical steps that they can take to satisfy the project readiness criteria; translating policy statements to understand how these will inform legal requirements. The second is the curve-ball, which is how to satisfy the Strategic Alignment Criteria. These criteria are outside of developers' control and will only be fully clear once the Strategic Spatial Energy Plan has been published by NESO, which leads to a fundamental and core uncertainty as to the viability of each renewables project. We expect this concern will only be addressed once developers have received their updated connection offers after the summer application window. This uncertainty will remain a very real impediment to development until Q3 2025 at the earliest.

Another key component of market uncertainty is the ongoing Review of Electricity Market Arrangements (REMA). REMA proposes substantial

reforms to the GB electricity market, including changes to pricing mechanisms and locational pricing models, aimed at supporting net-zero goals. However, until the final policy decisions have been announced (which is currently expected to occur this summer), developers remain concerned about the continued uncertainty posed by these reforms, particularly in relation to locational pricing. This uncertainty complicates project planning, financing, and long-term investment decisions.

The good news is that we expect final policy announcements and resolution of the grid connection reforms and queue positions in 2025, so we expect developers and lenders to be preparing for a very busy Q4 once they're able to make informed decisions in relation to their projects.

Further opportunities will also be available for renewables developers in the upcoming Contract for Difference (CfD) Allocation Round 7 (due to open in August 2025), which has been advertised to have a total budget of £544 million available. This will include a Clean Industry Bonus to support offshore wind developers (with up to £20.1 million per GW capacity for those applying for a Clean Industry Bonus), and ring-fenced portion of the budget available for floating offshore wind. The Clean Industry Bonus is designed to support investment in more sustainable supply chains for offshore wind, we will wait to see if this mechanism encourages wider local investment as the Government hopes. The Government is seeking to support at least 12 GW of new low carbon electricity generation through the allocation of CfDs in Allocation Round 7 and the next one or two allocation rounds.

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2. FOR DEVELOPERS OF TRADITIONAL / BASELOAD GENERATION ASSETS?

Developers of baseload generation assets are struggling with the same concerns around grid connection reforms and REMA as those impacting renewable developers (as outlined above).

Planning and site constraints remain a persistent challenge for new project development. Planning reform is underway, with the Planning and Infrastructure Bill moving through Parliament, and promising more coordinated and efficient decision making (through requiring more Strategic Spatial Planning, streamlining decision making processes within local authorities, and updating powers for development corporations). The Bill is expected to become law this year, and developers will hope to see a rapid improvement in the shortening of timelines

The new Regulatory Asset Base (RAB) model for new-build nuclear development continues to be a topic of interest. Sizewell C, the first new build nuclear project to be funded through the RAB, is approaching its Final Investment Date decision.

Great British Energy - Nuclear (as recently renamed) announced the winner of its Small Modular Reactor (SMR) competition - a Government backed initiative to support the development and deployment of SMR designs in the UK - on 10 June 2025, with Rolls-Royce SMR Ltd selected as the preferred bidder. This could lead not only to accelerated development of SMRs in the UK, but have a significant impact on supply chain investment, leading to wider opportunities.



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3. ... FOR POWER STORAGE?

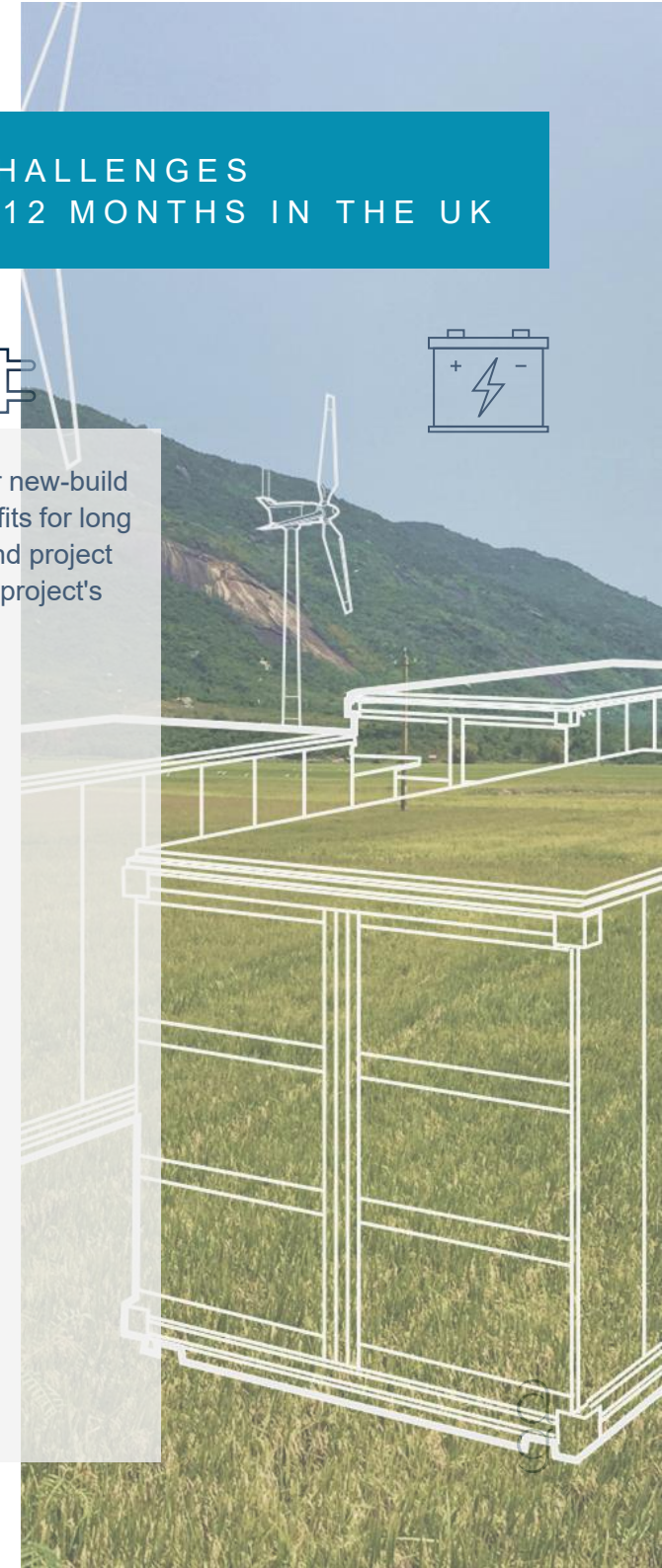
After years of uncertainty, the Energy Act 2023 provided statutory recognition for energy storage as a separate category of energy (albeit as a sub-set of generation). The UK Government's Clean Energy 2030 Action Plan estimates that the UK will require 23-27GW of battery capacity, and 4-6GW of long-duration energy storage, in order to meet its ambitious 2030 renewable energy goals.

The UK is intending to stimulate development of "super batteries" with the launch of the Long Duration Electricity Storage cap and floor investment scheme. Applications will be submitted by early summer for projects which are capable of being delivered by 2030 and 2033, to support the UK Government's clean energy targets. The cap and floor scheme has been designed to promote the development of both commercially ready technologies and novel technologies, under

separate streams. Pumped storage hydropower is the only commercially ready technology and is expected to enjoy a renaissance after a decades long hiatus of new projects in the UK.

The UK Government also intends to publish a further Low Carbon Flexibility Roadmap to set out more clearly the specific actions which will need to be taken to drive delivery of the overall targets. While this indicates positive long-term support, developers are focused on the immediate concerns for their projects in the ongoing Grid connection Reforms; the place which storage projects may obtain in the queue remains a barrier to development. As a result, locally and directly demand-connected projects remain a popular option for developers and customers alike, and consumers with large power needs (such as data centres) are increasingly focused on storage as part of their energy

management solutions for new-build sites. This can have benefits for long term cost-management and project financing, as well as their project's sustainability credentials.



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4. ... FOR OWNERS AND OPERATORS OF ELECTRICITY TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE?

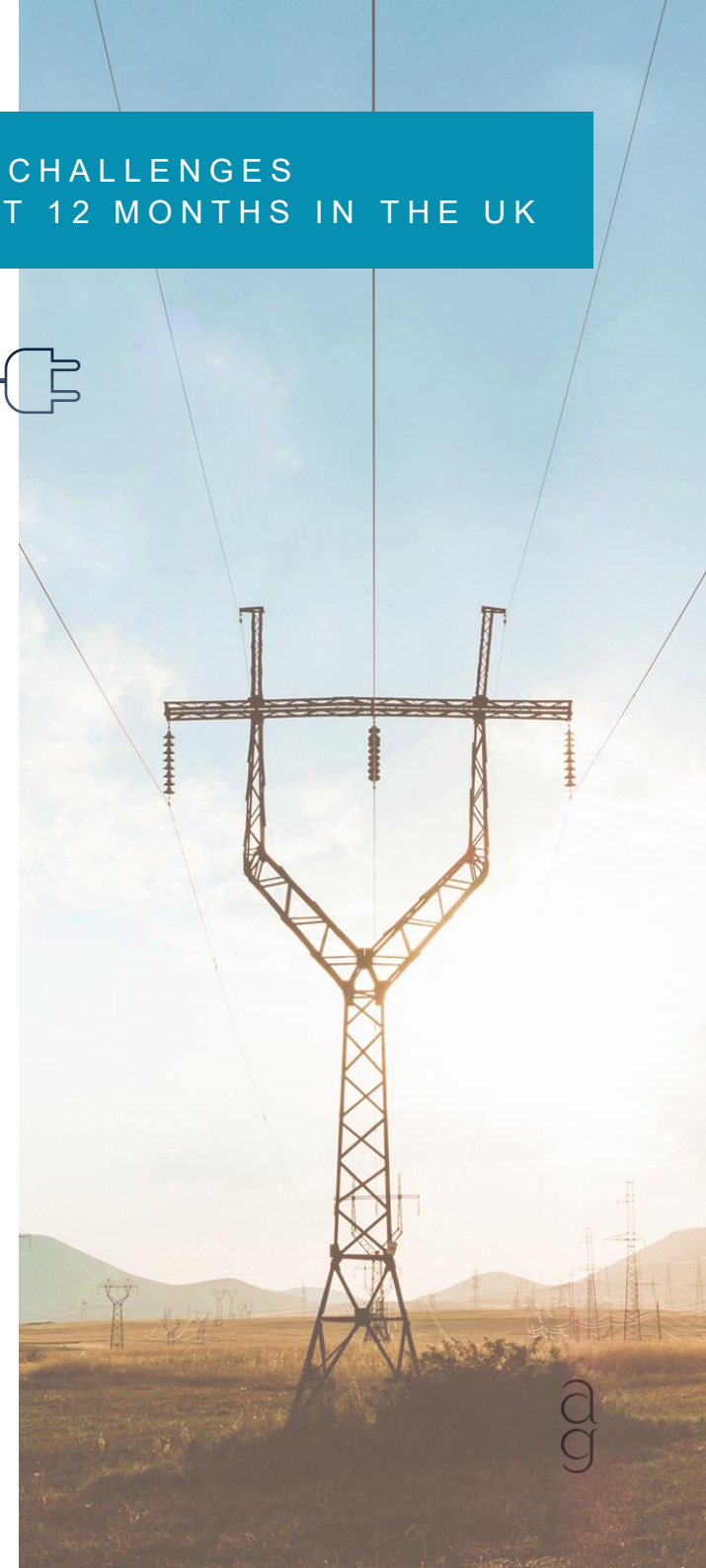
One of the top priorities for the transmission and distribution owners is upgrading their networks so as to support the changing mix of technologies which are connected to it, and strengthening the system to as to deliver and support the network for future resilience.

Expanding the networks themselves is a huge challenge; we have discussed the ongoing reforms to the planning and consenting processes in the UK above, and this will be critical for the delivery of new network infrastructure.

Additionally, new procurement and delivery models such as the Accelerated Strategic Transmission Investment framework (ASTI) and Competitively Appointed Transmission Owner (CATO) model, are expected to play substantial roles in delivering new network infrastructure. This will involve traditional and potentially new network developers engaged in a rapid deployment of new development.

Cyber security is also a key issue in network design. As societies continue to move towards increased electrification, we become more vulnerable to loss of power, and the transmission and distribution networks are critical to that system of security. Ensuring that networks remain

robust to cyber risks as well as physical risks remains a key area of focus.



CONTACTS



KAREN ROWE

Partner

E: karen.rowe@addleshawgoddard.com

T: +44(0) 7436 612 581



RORY CONNOR

Partner

E: rory.connor@addleshawgoddard.com

T: +44(0) 7384 459 324





addleshawgoddard.com

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