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Pathway to 2030 Connection Contract Update Programme

Dear colleagues,

One of the key areas of regulatory development at this time is the effort to bring about greater coordination in the development of the offshore transmission system via the Offshore Transmission Network Review (OTNR). The OTNR was launched in July 2020 by the Minister of State for Business, Energy and Clean Growth to support the Government's offshore wind target of 40GW by 2030 and the delivery of net zero by 2050¹.

Within the OTNR we are working collaboratively with stakeholders, including the Transmission Owners (TOs). We have published this letter in our role as the chair of the Central Design Group (CDG) within the OTNR Pathway to 2030 workstream. It has been drafted in collaboration with the TOs and the content is supported by Scottish and Southern Electricity Networks Transmission (SSEN-T), Scottish Power Energy Networks (SPEN) and National Grid Electricity Transmission (NGET) as key members of the CDG.

In our open letter² published in September 2021 I said that we would provide relevant developers with a more robust and granular plan in relation to the connection contract update programme. This letter provides further information on the connection contract update programme within the Pathway to 2030 workstream.

The content of this letter is based upon the recently updated timeline³ for the Holistic Network Design (HND). An updated timeline based on the content of this letter can be found in Appendix 1.

The two major pre-requisites for connection contracts being updated are the outcome of the HND and a decision from Ofgem on a preferred offshore delivery model as detailed within their recent consultation⁴.

It is worth noting that our approach to updating or providing connection contracts will be different depending on whether a developer currently holds a connection contract with us and whether they have been successful in a leasing round. Therefore, our approach to different sets of developers will be different as follows.

Projects with connection contracts, including developers which are successful in the ScotWind leasing round

We expect that the HND will deliver sufficient design work to enable us to update existing connection contracts for these projects. Once the HND is available and we have the Ofgem decision on delivery models we will start the preparatory work for updating these existing connection contracts. Our current expectation is that we will start to discuss updating connection contracts with relevant developers between June 2022 and August 2022.

We expect that connection contracts will then be updated through an Agreement to Vary once the exact nature and implications of the changes become clearer, including any changes to the interface point or connection date. As usual we expect that connection dates will continue to remain subject to consenting and regulatory approval processes. We are planning for a reasonable period of time (which could be three months) for discussion and acceptance of the Agreement to Vary once it is made available.

As usual, we would expect that any Agreement to Vary will be able to be referred to Ofgem.

¹ www.gov.uk/government/groups/offshore-transmission-network-review

² www.nationalgrideso.com/document/211251/download

³ www.nationalgrideso.com/document/225901/download

⁴ www.ofgem.gov.uk/publications/consultation-changes-intended-bring-about-greater-coordination-development-offshore-energy-networks

As the connection contract update programme has a number of dependencies, the June 2022 to August 2022 window is dependent upon a number of important factors, such as the availability of the necessary information, and so remains subject to change. We will therefore keep you updated in the event of any change to our plans.

Developers which do not hold a connection contract and are successful in the ScotWind leasing round

Any developers in scope for the HND who are successful securing a lease in the ScotWind leasing round but are yet to apply for a connection contract should apply to us once the ScotWind leasing round outcome is known. The application will be processed by us in accordance with the normal licenced application and offer process. We would encourage such developers to apply as soon as possible after the ScotWind leasing round outcome is known. There may be uncertainty about the Host TO for such developers (and others in scope for the HND) at this stage. We will therefore be in contact with developers in this category shortly after the ScotWind outcome is known in January 2022. Further information on the connection application process can be found [here](#)⁵.

In addition, there is a possibility that we may be seeking to explore a derogation with Ofgem to extend licenced timescales so that we can align the connection offer with the timeline for when the HND is available and we have the Ofgem decision on delivery models. This would coincide with the above process to update existing contracts. This avoids the need to issue a 'holding offer' in order to meet licenced connection offer timescales that would shortly be superseded under the connection contract update programme.

Developers which hold an existing connection contract and are unsuccessful in the ScotWind leasing round

Where developers holding a connection contract are unsuccessful in the ScotWind leasing round, we will take steps to terminate these connection contracts. We are still in the process of identifying the most suitable time and mechanism to action such terminations. We will be in contact with unsuccessful developers who hold a connection contract to discuss the termination process before any connection contract terminations.

Connection contract changes

In relation to the expected content of connection contracts with relevant developers (whether new or updated) there are likely to be a handful of different triggers for change. We expect that there could be change related to i) HND recommendations related to network design, ii) as a consequence of expected changes to codes and standards as a result of the HND recommendations, and iii) the offshore delivery model (or models) to be utilised for the delivery of those HND recommendations. To illustrate each of these triggers for connection contract change further information is provided as follows.

HND recommendations

As the HND will include a preferred interface site and network design for each of the relevant developers the list of construction works within each of the connection contracts, and any elements associated with those works, will need to be updated to reflect the HND recommendations. This could also impact on the elements of the contract associated with those works e.g. user commitment, restrictions on availability, construction programme, construction costs and connection date, etc.

Expected changes to codes and standards as a result of HND recommendations

As the HND may result in a co-ordinated offshore network design, which has not historically been seen⁶, there is an expectation that elements of the codes and standards will also need to be amended to enable the HND. Any of these changes associated with the HND could potentially be progressed via a Significant Code Review, or via the open governance process. In either case, it is unlikely that any code and standard change processes associated with the HND will start until July 2022 at the earliest as information contained in the HND is required to inform the necessary changes. More information on code governance was set out in the previously mentioned Ofgem consultation.

⁵ www.nationalgrideso.com/industry-information/connections/connecting-electricity-grid-process

⁶ The recent Ofgem consultation started to consider some potential co-ordinated network design model concepts which are helping to inform potential impacts to codes and standards in respect of the HND. If you are interested in getting more involved in the potential impact on codes and standards as a result of the HND, an OTNR Expert Advisory Group sub-group with a codes and standards focus has been set up and more information on this sub-group can be found by contacting box.OffshoreCoord@nationalgridESO.com.

This means that necessary code and standard changes may not be resolved for some time, depending on the scale and complexity of the change. As a result, the updated connection contract may need to recognise this and address this ongoing uncertainty e.g. through targeted connection contract reopeners. However, we expect that code and standard changes will need to move at pace to provide additional clarity as soon as possible.

For example, if changes are required to User Commitment to facilitate a shared offshore connection, connection contracts may then need to address any issues with this network design in the short-term pending the outcome of an associated code change outcome in the longer-term.

The offshore delivery model or models to be utilised for delivery of those HND recommendations

As the connection contract for offshore projects is in a 'generator build' style at present the elements of the connection contract related to this may need to be amended to align with the outcome of the Ofgem consultation on offshore delivery models. This may apply if the HND recommends a co-ordinated design for two or more developers and Ofgem determines that a new offshore delivery model will be utilised for any co-ordinated offshore transmission system. This includes for any form of 'co-ordinated generator build' style arrangements.

For example, works which would have previously been Offshore Transmission System Development User Works would potentially need to be replaced with Offshore Transmission System Reinforcement Works if a TO or an Offshore Transmission Owner were instead taking forward those works rather than a developer, as would be the case under current 'generator build' arrangements.

Next steps and additional information

We will continue to develop our thinking on each of the above areas in parallel to the development of the HND and the Ofgem decision making process for the preferred offshore delivery model(s) over the coming months. However, we expect that we will only be able to finalise connection contract updates once the outcome of both is known and that is why the connection contract update programme follows on from those activities.

For Celtic Sea developers specifically, it is also worth noting that these updated connection contracts will likely remain subject to a further regional iteration of the HND once further information on the leasing round design and/or outcome is known. It may become apparent that an alternative connection contract update approach can be taken for Celtic Sea developers as the HND process progresses. We will keep this under review as we further develop our thinking on the connection contract update programme.

We recognise and understand that aspects of the Pathway to 2030 workstream, including a future connection contract update programme, will continue to create uncertainty for developers over the coming months. We will continue to be mindful of this and we will endeavour to provide relevant information and clarity as early as we can to lessen that uncertainty until the conclusion of the connection contract update programme.

We will continue to keep you updated and engage with you as the OTNR is progressed across all workstreams. One aspect of this will be the creation of a Developer Forum in February 2022. We hope that this forum will increase engagement with relevant developers and provide an opportunity to further discuss developments within the Pathway to 2030 workstream. Further information on this forum will be provided in the near future.

In the meantime, if you have any questions about the potential impacts on your current or planned future offshore projects please get in contact with your ESO Connections Contract Manager or the Offshore Co-ordination Team at box.OffshoreCoord@nationalgridESO.com.

Yours sincerely



Graham Stein

Offshore Co-ordination Senior Manager and CDG Chair

Appendix 1

