
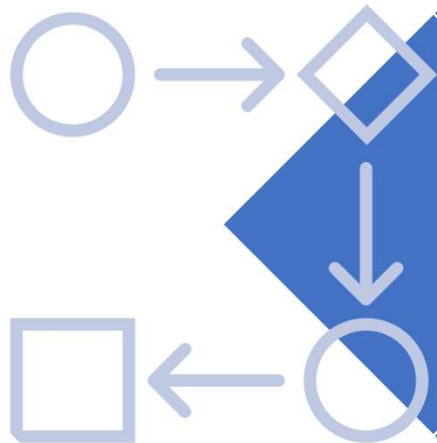


# Application of QM Milestones



## What is Queue Management?



- A standard set of Milestones and dates as set out in the new App Q
- Provides a process for evidencing progress against Milestones/dates
- Right to terminate (subject to exceptional issues) if the Milestone dates are not met.

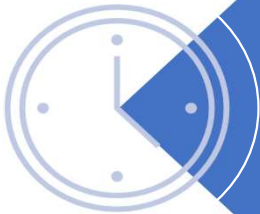
## When does it apply from and who does it apply too?



All Offers due out from the 27 November 2023



Applies to all directly connected customer including directly connected demand (it does not apply to BEGA's/BELLA's and Embedded Customers)



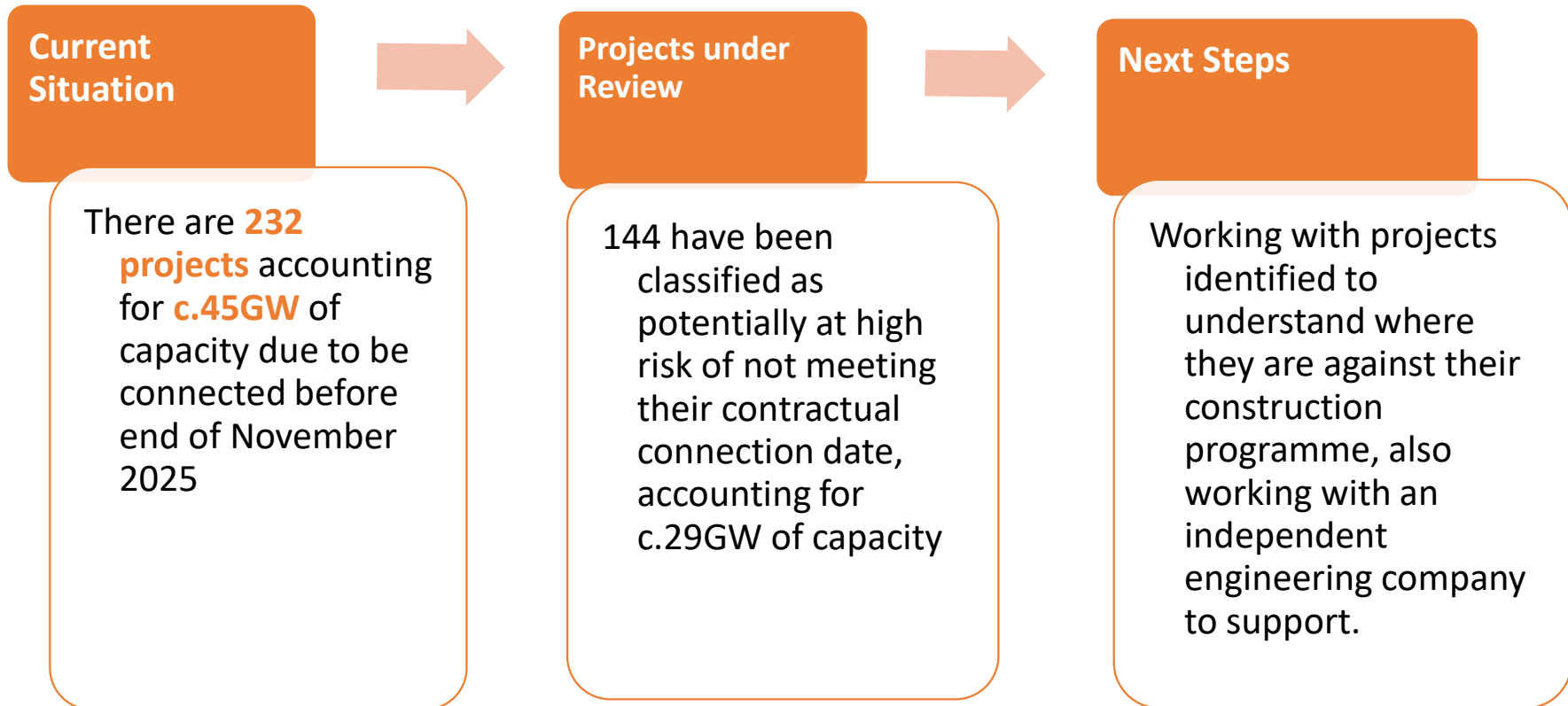
Has to be fully implemented within two years of Ofgem decision date – 27 November 2023

## Workgroup Alternative CUSC Modification (WACM) 7

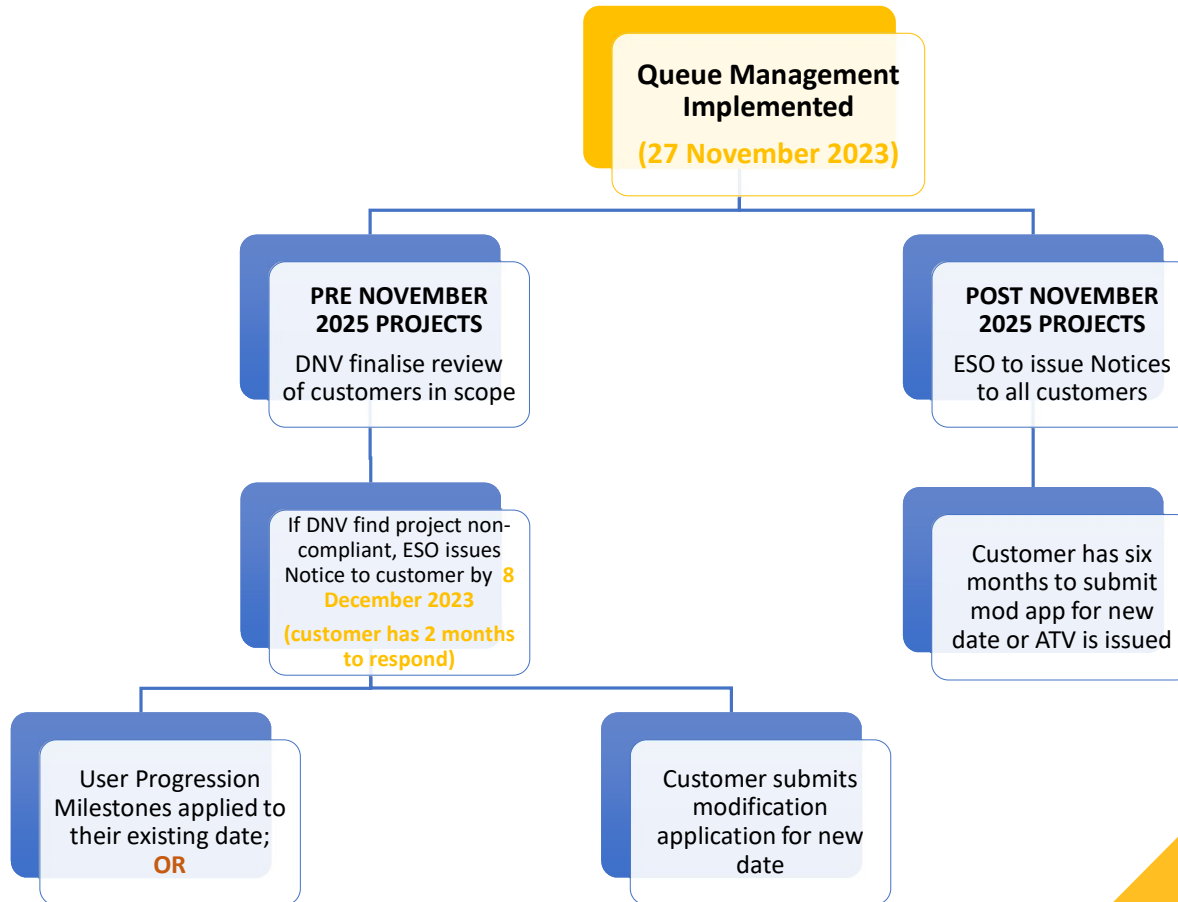
Customers with a contracted Completion Date of 2 years or more from CMP376 Implementation Date to be offered two options:

<b>Option 1- Keep existing date and have QM Milestones applied</b>	<b>Option 2- Submit a Modification Application</b>
<ul style="list-style-type: none"><li>• A customer can choose to keep their current completion date or if a Modification Application is not made then ESO will issue an ATV to modify the Construction Agreement and add Queue Management Milestones which would be aligned to the User's existing Completion Date</li><li>• If Users are already compliant with some or all the Milestones when an Agreement is signed, ESO will record them as compliant and apply Milestones in a forward looking manner (next Milestone in line)</li><li>• No Modification Application fee will be charged for this option.</li></ul>	<ul style="list-style-type: none"><li>• The Customer can submit a Modification Application to move their Completion Date further into the future.</li><li>• User Progression Milestones will be added to their agreement, aligned to the new Completion Date in their offer (following the timescale columns in the CMP376 Original), and using the date the Modification is offered as the offer date).</li><li>• The new offered Completion Date will be provided by the TO and ESO – there is a risk for the customer that this may be significantly later than their existing contracted Completion Date.</li><li>• A standard Modification Application fee would be charged for this option.</li></ul>

## Pre 27 November 2025 Connections



# NOTICES TO CUSTOMERS UNDER WACM 7



## QM Legal Terms - overview

New CUSC **section 16** sets out the detail and terms of the Queue Management Process (e.g. lists the Milestones, how dates are calculated, the exceptions and termination process and implementation)

**Associated definitions in CUSC section 11** (Queue Management Process, User Progression Milestones, Conditional Progression Milestone, Construction Progression Milestone etc)

New Clause and definition (by ref to the specific project Appendix Q) of “**User Progression Milestones**” added to Onshore and Offshore Connection Construction Agreement (subject to exception for directly connected Demand associated with Embedded Electricity Generation or Demand) N.B in Offshore Agreements Queue Management Milestones doesn't apply to the Offshore Transmission works

New Appendix (Q) added to Construction Agreement (with update to contents page) which sets out (in a table) the Milestones as per CUSC Section 16 with the Milestone date for that project.

## Appendix Q Template

### **APPENDIX [Q]** **QUEUE MANAGEMENT PROCESS – USER PROGRESSION MILESTONES**

The table below specifies the dates (derived in accordance with **CUSC** Section 16) for the **User Progression Milestones** in respect of the **User's** project and the application of the **Queue Management Process**.

#### **Conditional Progression Milestones**

<b>Milestone</b>	<b>Date due</b>
<b>M1 – Initiate Planning Consent</b>	
<b>M2 – Secure Consent</b>	
<b>M3 – Land Rights</b>	

#### **Construction Progression Milestones**

<b>Milestone</b>	<b>Date due</b>
<b>M5 – Contestable Design Works Submission</b>	
<b>M6 – Agree Construction Plan</b>	
<b>M7 – Project Commitment</b>	
<b>M8 – Initiate Construction</b>	

There will be more than 1 App Q where there is 2 tech types or a staged offer, wherever there are 2 completion date/different tech type that will be the trigger for the App Q



## What is the difference between App Q and App J

In the Construction Agreement there are two appendices for programme related activities, **Appendix J** (Construction Programme) and **Appendix Q** (Queue Management Milestones).

**Appendix Q** will include User Progression Milestones as set out in CUSC Section 16 and are separated into **Conditional Progression Milestones** and **Construction Progression Milestones** which have different termination rights:

Milestone 1 - Initiated Statutory Consents and Planning Permission	Milestone 5 - Contestable Design Works Submission – if the User chooses to go down this route. Otherwise, it will be marked as N/A
Milestone 2 - Secured Statutory Consents and Planning Permission	Milestone 6 - Agree Construction Plan
Milestone 3 - Secure Land Rights	Milestone 7 - Project Commitment
Milestone 4 - N/A	Milestone 8 - Initiate Construction

**Appendix J Construction Programme** - covers programme related activities in the Construction Agreement, which sets the User Progression Milestones by reference to the original programme in Appendix J - by setting the agreed programme of works to be carried out which can change by Agreement between the ESO and Relevant Transmission Licensee and the User.

# Milestones

- User Progression Milestones will be included in the Construction Agreement and will be dated by counting back from contracted Completion Date (Milestone duration time periods differ according to the time from the contracted Completion Date to the offer date of the Agreements)
- Milestones are benchmarks agreed or set out contractually between network companies and customers to measure and track project progress towards a contracted connection date. They will be included in the Construction Agreement (Appendix Q) between the ESO and the contracted party.
- Milestones are intended to be transparent and realistic, with an expectation that customers will have undertaken relevant project development activity before accepting a connection offer.
- Each Milestone is supported by timescales and evidence.
- Customers are responsible for providing suitable evidence to demonstrate that they have met the relevant Milestone within timescales following acceptance of a Connection Offer.
- The Milestones are in line with those at Distribution; however, Milestone M4, which relates to the transmission requirements for a project connecting to a distribution network are not relevant here and will not be included in the Transmission arrangements as those Milestones will be monitored and if required the project will be terminated at Distribution level. Should an agreement that has a Distribution and a Transmission connection i.e., a BEGA and is terminated at Distribution level, this would then result in a termination at Transmission level as per the clauses in the BEGA.
- Conditional Progression Milestones – ESO “will” terminate.
- Construction Progression Milestones – ESO have the “right to” terminate.

## User Progression Milestone durations

### Milestones 1 – 3 Conditional Progression Milestones - ESO “will” terminate

Conditional Progression Milestones	From 0 up to 2 years (0 – 729 days) from contracted Completion date	2 up to 3 years (730 – 1094 days) from contracted Completion date	3 up to 4 years (1095 to 1459 days) from contracted Completion date	4 up to 5 years (1460 – 1824 days) from contracted Completion date	5 years (1825 days) and above from contracted Completion date
Milestones:	All durations referenced back from contracted Completion Date				
M1 - Initiate Planning Consent	Bilaterally negotiated	18 months	24 months	36 months	48 months
M2 - Secure Consent		12 months	18 months	24 months	30 months
M3 - Land Rights		21 months	27 months	39 months	51 months

## User Progression Milestone durations

### Milestones 5 – 8 Construction Progression Milestones - ESO have the “right to” terminate

Construction Progression Milestones	From 0 up to 2 years (0 – 729 days) from contracted Completion date	2 up to 3 years (730 – 1094 days) from contracted Completion date	3 up to 4 years (1095 to 1459 days) from contracted Completion date	4 up to 5 years (1460 – 1824 days) from contracted Completion date	5 years (1825 days) and above from contracted Completion date
Milestones:	All durations referenced back from contracted Completion Date				
M5 - Contestable Design Works Submission	Bilaterally negotiated	12 months	15 months	18 months	21 months
M6 - Agree Construction Plan		9 Months	12 months	15 months	18 Months
M7 - Project Commitment		6 Months	9 months	12 months	15 Months
M8 - Initiate Construction		3 months	6 Months	9 months	12 months



## Milestone Durations and why there were agreed to start from Connection Offer date.

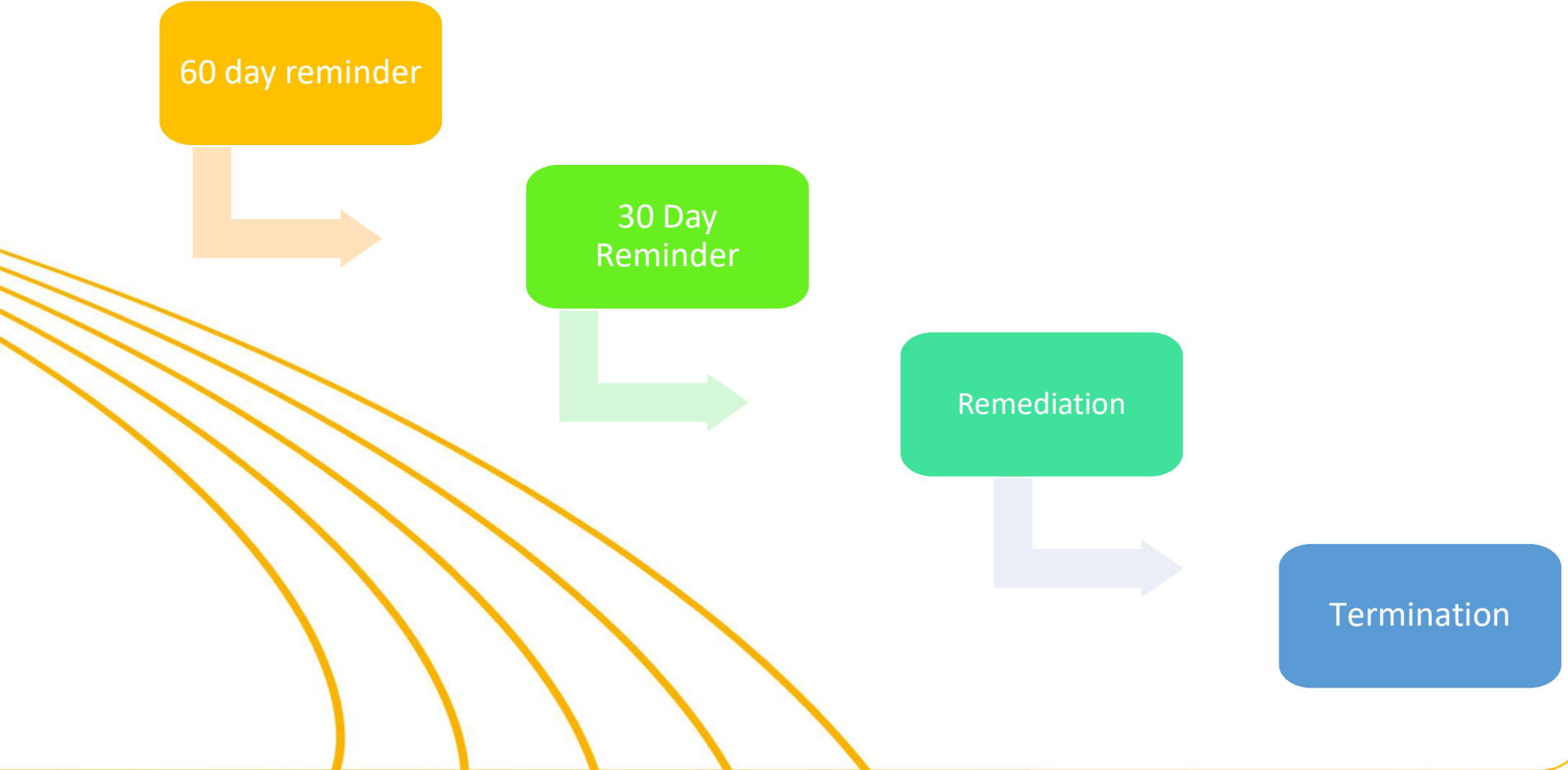
Time period	Pros	Cons	Notes
Offer date to completion date	Simpler to apply as milestone timings are calculated at same time the contract is offered; most transparent and fairest to all	Milestone timings eat into the period in between the offer date and acceptance date;	This is the CMP376 original proposal
Date of acceptance to completion date	Gives user more control of milestones; allows for post-Offer negotiations	Requires more administrative work; prolongs unclarity about when milestones are due	
Effective agreement date to completion	Gives user more control of milestones; allows for post-Offer negotiations and added certainty if also countersigned by ESO	Requires more administrative work; prolongs unclarity about when milestones are due	



## Bilaterally Negotiated Milestones

“Where durations are referred to as being “bilaterally negotiated” this means that The Company, the Relevant Transmission Licensee and the User will aim to agree the durations for the purposes of Appendix Q during the Offer preparation period. Where not so agreed by the time the Offer is made, Appendix Q will reflect the durations proposed by The Company and Relevant Transmission Licensee and discussions will continue with a view to agreeing these during the Offer acceptance period”.

# Notifications from the Connections portal



## Exceptions from Legal text

The Exceptional issues which apply in the context of the **Queue Management Process** are as follows:

Where the **User** is delayed in carrying out the **User's Works** which entitles the User to fix a later date or dates under Clause 3.2 of the **Construction Agreement** (Delays and Force Majeure) and that delay is the reason that a **User Progression Milestone** is not met;

Where the **User** is not able to meet a **User Progression Milestone** due to an event of **Force Majeure**;

Where delays caused by a party (other than the **User**, **The Company** or a **Relevant Transmission Licensee**) can be demonstrated to have an

impact upon the **User** meeting a **User Progression Milestone** and the **User** could not have avoided these delays or their impact by the exercise of **Good Industry Practice**

Where a **User** is not able to meet a **User Progression Milestone** due to Planning appeals and third-party challenges in relation to the **User's Consents**;

Any delay in the achievement of a milestone by the **User** which is caused by a **Relevant Transmission Licensee** or **The Company**



## Exceptions Process

**Users are encouraged to apply for exceptions as they come to know of any risk associated that will cause a delay and conversations need to continue with contract managers during the progression of the project.**

In these cases, the User needs to **apply** for an extension via the **Connections Portal** and specify the below:

- The **reason** for missing the milestone and which milestone the exception is requested for.
- How long a **delay** is expected, with the User to provide a realistic time frame of when this milestone can be achieved.
- Whether this creates a knock-on impact on their ability to deliver future milestones and if so which ones, why and how long, and will this impact their connection date.

If an exceptional issue and the evidence for meeting that Milestone has not been provided/or met, the termination process will commence.

See section 16.5 in CUSC section 16

## Exceptions Process

If Exception has been accepted, and it **impacts** the connection date and requires re-study – this will be managed through the normal CUSC Modification Application process to update the connection programme (Appendix J) and User Progression Milestones date (Appendix Q) in alignment.

If exception has been accepted, and it has **no impacts** to future milestones/dates/study, then the User Progression Milestones date (in Appendix Q) will be updated to reflect the new milestone date for the missed milestone.

If the delay is less than 6 months and if accepted, ESO will update the requested Milestone date.

If the delay is more than 6 months and if accepted, ESO will work with the RTL to agree on an allowable modification application.

The ESO will coordinate with the User (and as required the Relevant Transmission Owner) and ultimately will have **10 working** days to notify User if the exceptional issue is agreed.

Termination will only be exercised after an internal escalation process.

## Termination process

A project will be classified as at “risk” where:

- The evidence for the Milestone has not been provided to the ESO by the Milestone due date or is considered by the ESO to be insufficient except where the ESO agrees there is an exceptional issue.
- The ESO will then commence the Termination process.
- Under this process, ESO will first issue an “Milestone Default Notice” giving the User **60** calendar days the “**Default Milestone Remedy Period**” to rectify the missed milestone.

For Milestones 1 to 3, if at the end of the 60-calendar day notice period the User has still not met the Milestone, notice will be given terminating the Construction Agreement.

For Milestones 5 to 8 if at the end of the 60-calendar day notice period the User has still not achieved the Milestone, ESO will consider whether to exercise the “right to” terminate.

## Modification Application

In the case of the first Modification Application made by a User after CMP376 implementation (27 November 2023) for any pre-existing Construction Agreement(s) (and which introduces the Transmission Queue Management process into that pre-existing Construction Agreement), User Progression Milestones are set based on the Modification Application Offer Date and the Completion Date in that Offer.

For any subsequent Modification Application made by a User, User Progression Milestone dates stay fixed – even where changes are made to the Completion Date – unless there is an exceptional issue or ESO discretion in relation to termination of M5-M8 is engaged, as stated in CUSC section 16 Paragraph 16.5.

If a User submits a Modification Application to bring a Completion Date forward, ESO would use the Milestone table to calculate the dates based on that new programme and issue a new Appendix Q.

## Modification application examples

Type of modification	Do exceptional circumstances apply?	Does the Completion Date change?	Do the Milestones Change?	Example	Completion date impact	Milestones impact
Non-date Modification Application	No	No	No	Additional TEC	A two-stage offer would be issued with two completion dates for the original and additional TEC	Two sets of milestones would be set based on the different completion dates
				Change of technology	The completion date remains unchanged or two-stage offer	Milestones remain unchanged
Date Modification Application	No	Yes	No	Going from four to five year completion date	The completion date moves back one year	The previously agreed milestone dates, based on four years, remain in place
Modification Application a result of exceptional circumstances (exceptions)	Yes	Possible	Yes	User is required to send Modification Application after an exception	The original completion date remains in place or a new completion date is offered	New milestones will be set for those milestones that haven't been met yet, based on new offer and completion dates.
Pre-Queue Management contract mod app	No	Possible	No*	User makes any Modification Application after CMP376 implementation date	The original completion date remains in place or a new completion date is offered	*Milestones are set based on the Modification Application offer date and the completion date in that offer; after that they cannot be changed unless under exceptions

## Queue Management workshop dates

- Queue Management workshop 3 - 13 December 1pm-2pm
- Queue Management workshop 4 - 19 December 10am-11am
- Queue Management workshop 5 – 10 January 10am-11am

The link for you to sign up to the Queue Management webinars can be found [here](#).

Slides for Workshop 1 can be found [here](#).

FAQ for workshop can be found [here](#).

# Any Questions?

