CUSC Modification Proposal Form

CMP427: Update to the Transmission Connection Application Process for Onshore Applicants

Overview: This modification proposes that a Letter of Authority (LoA) should be required for new Onshore Transmission Connection Applications

Modification process & timetable

1. **Proposal Form**
   13 December 2023
2. **Workgroup Consultation**
   22 January 2024 to 26 January 2024
3. **Workgroup Report**
   07 February 2024
4. **Code Administrator Consultation**
   12 February 2024 to 16 February 2024
5. **Draft Final Modification Report**
   21 February 2024
6. **Final Modification Report**
   23 February 2024
7. **Implementation**
   10 working days after Authority Decision

Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: High impact

Generators, Demand Users, ESO

Proposer's recommendation of governance route	Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)

Who can I talk to about the change?	**Proposer:** Joseph Henry Joseph.henry2@nationalgrideso.com 07970673220	**Code Administrator Contact:** Catia Gomes Catia.gomes@nationalgrideso.com 07843816580

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What is the issue?

Over recent years, there has been an unprecedented growth in applications to connect to the National Electricity Transmission System (NETS) due to the positive, rapid progress being made in the electricity industry to support GB's decarbonisation ambitions and to deliver cleaner energy for all. Between 1 April 2022 to 31 March 2023, the ESO received a total of 1,732 applications for connections. In contrast, a total of only 333 applications were received during the same period in 2017/2018. The current connections applications process was not designed to facilitate such an increase in volume. The process for connecting to the NETS was designed for fewer, larger power plants connecting to the system, and the process has remained largely unchanged. Additionally, the current average attrition rate for projects due to connect to the NETS is circa 60-70%. The ESO has noted that one contributing factor to the increased volume and attrition rate is the increase in speculative connections applications being submitted by applicants due to the perceived value of having a Connection Agreement and an earlier position in the queue. The consequences of this, given the current incremental approach of the assessment of applications, includes inefficient network capacity allocation and overdesign, which contributes to higher network costs, as well as longer timescales for connection dates being offered to projects which have had applications submitted later.

The ESO Connections Reform Consultation, launched in June 2023, proposed Key Target Model Add-ons (TMAs) to compliment the Target Model Options presented in the consultation. The consultation responses overall supported the introduction of a LoA.

The Connections Action Plan which is a joint paper between DESNZ and Ofgem, published in November 2023, has put an action on the ESO to raise a modification to codify the Landowner LoA requirement for new Onshore Transmission Connection Applications, in order to raise entry requirements. The action plan asked for this modification to be raised by "Q1 2024 or sooner".

This modification proposes that a LoA should be submitted by Applicants for new Onshore Transmission Connection Applications alongside existing criteria. The LoA will provide confirmation that the project developer has either formally engaged in discussions with the landowner(s) in respect of the rights needed to enable the construction of the developer's project on their land, or to demonstrate that the project developer is the landowner(s).

Further consideration of strengthening the scope of the LoA approach will be considered at a later date, potentially in another modification. This may include feasibility and suitability of applying the LoA to Offshore Transmission Connection Applications, Modification Applications and a process for duplication checks.

Why change?

Given the uplift in parties wishing to connect, a LoA will help to reduce the number of speculative applications, ensuring that genuine connections are facilitated.

Below is a list of benefits associated with implementing this change into the CUSC:

- The LoA gives greater certainty that a connection project is valid and able to progress as it gives confirmation that the project developer is the landowner or has formally engaged in discussions with the landowner(s) as part of the Transmissions Connection Application Process.
- It will support in the reduction of speculative applications and number of applications 'clock-started.'

- Currently, there is a misalignment between arrangements in distribution and transmission connections. This leads to different treatment between potential connectees within each respective system. This modification will provide alignment and consistency between the distribution and transmission connections application process and should be addressed on an urgent basis.

What is the proposer's solution?

This modification proposes that project developers should submit a LoA with a new Onshore Transmission Connection Application in addition to the existing requirements for that application to be effective.

The LoA will provide confirmation that either:

a) the project developer has formally[1] engaged in discussions with the landowner(s) in respect of the rights needed to enable the construction of the project on their land (it will not require evidence at that stage that the rights have been granted though this will be required as part of the evidence for milestone M3 "Secure Land Rights" within the Queue Management process introduced under CMP376).
b) confirm that the project developer is the landowner(s).

This evidence is in addition to the current criteria required for the ESO to treat an Onshore Transmission Connection Application as effective (referred to as "clock start"). The current criteria for an application to become effective is noted in Exhibit B of the CUSC and includes the completion and submission of the following:

(i) an application form
(ii) the Data Registration Code template and
(iii) payment of an application fee.

This modification proposes that a template is produced by the ESO, which will be attached to the connection application proforma for the Onshore Transmission Connections Applicants to specify the type of engagement that has occurred in relation to (a) or (b), as above. This will provide consistency in the documentation submitted and further assist applicants to provide the relevant details to satisfy this requirement. It will also mitigate against potential delays to project developers' applications clock start dates due to insufficient or unclear information being provided and the need to revisit the application. The application will not be declared effective until the LoA has been confirmed to be satisfactory by the ESO.

The LoA template(s) will request the following information:

- The full name of the landowner(s) and the developer
- The full address of each party
- Company number and place of registration of the developer and if applicable landowner

[1] Meaning of formally to be discussed in workgroup

- Details confirming that the landowner has formally engaged in discussions with the project developer in respect of project development on their land, or documentation to show ownership of the land
- Site address
- Signature of the landowner
- Date of signature
- Image of the sample plan showing the boundaries of the site referred to
- Contact details for the landowner(s)

Consideration should be given by the Workgroup to the jurisdictive differences between England and Wales, and Scotland.

Draft legal text

The legal text will be drafted by the ESO, then shared and developed through the Workgroup process.

What is the impact of this change?

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	**Identified impact**
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	**Positive** This modification will allow the ESO to manage the connections applications queue in a more efficient manner, preventing speculative applications without landowner authority from entering the queue.
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	**Positive** This modification will allow fairer and more efficient access for new generation projects to connect to the NETS.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	**Neutral**

(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	**Positive** This modification will increase efficiency in management of the connections application queue by reducing speculative applications.
*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories	
Stakeholder / consumer benefit categories	**Identified impact**
Improved safety and reliability of the system	**Positive** When coupled with Queue Management changes introduced through CMP376, greater efficiency in the connections process will result in improved connection design and times which will increase diversity of the energy mix and improve security of supply.
Lower bills than would otherwise be the case	**Positive** • Reduction in unnecessary network capacity allocation and network design, leading to lower TNUoS costs. • Increase in new connections may translate into better options for decisions in balancing services, leading to BSUoS efficiencies. • There should be less speculative projects and so less cancellations, lowering risk of costs.
Benefits for society as a whole	**Positive** Quicker connections to the NETS will prove beneficial for society as it will increase diversity in the energy mix, improving system security and will encourage new legitimate projects to connect.
Reduced environmental damage	**Positive** More new and greener technologies will be able to connect to the system in a more expedient fashion.
Improved quality of service	**Positive**

	Ability to focus on and resource projects which are likely to progress/connect to the NETS. Information provided within the LoA could help with the risk of over-investment from the TO(s) • The LoA gives greater certainty that a connection project is valid and progressing. • May support in the reduction of speculative applications. Helps towards a customer achieving queue management milestone 3 (as per CMP376) as engagement with the landowner(s) has already started.

When will this change take place?

Implementation date
10 working days after Authority decision. This modification should be implemented as soon as possible to help increase efficiency in the connections application process.

In the Connections Action Plan, published by Ofgem, they have requested that the ESO submit a Final Modification Report by March 2024. We believe there is benefit in seeking implementation as soon as possible.

Date decision required by
01 March 2024

Implementation approach
The ESO will prepare the Letter of Authority template and application form and advise new applicants 10 working days after decision

Proposer's justification for governance route
Governance route: Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)

This modification will have a significant commercial impact on parties, consumers or other stakeholder(s)

The Energy Act 2023 gave OFGEM a statutory net zero duty to protect the interests of existing and future energy consumers, supporting the government in meeting its legal obligation to meet net zero by 2050. This modification is supporting Ofgem in phasing out the first-come first-served queuing system by raising the entry requirements to increase the quality of projects applying for transmission connections and deter speculative connection applications.

This modification is part of the suite of Connections Action Plan (CAP) initiatives that Ofgem and DESNZ are proposing to help tackle the stark delays in the current connection queue by releasing over 100GW of capacity for new projects – around a quarter of the electricity needed to power the economy in 2050. The Connections Action Plan is setting out what needs to be done to improve and speed up the connections process. In the Ofgem Foreword contained within the CAP, the Plan "*is a call for network companies, the system operator, and the sector as a whole to deliver a major step change in the pace of connections; strengthening incentives, obligations, and*

requirements to do so. It also asks connections customers to be realistic and flexible in their connection requirements, and to engage on our proposals as they develop. Finally, building on our recent actions, it sends a clear message to stalled 'zombie' projects that they need to use their place in the connections queue or lose it: a big step towards moving away from the first-come first-served system."

Collectively, the CAP seeks to get the majority of projects connected by their requested connection date, up from 14% today, and to reduce the average delay a project faces in connecting to the transmission network from five years to six months.

The need to raise a modification to introduce an LoA into the CUSC is highlighted within the CAP. The document states "*As the current transmission connection application requirements are set out in the Connection and Use of System Code (CUSC), CUSC amendments would be required to introduce binding LoA requirements for applicants. We therefore encourage the ESO to rapidly bring forward proposals, in* ***Q1 2024 or sooner****, through the CUSC process which would establish a robust and effective LoA requirement. We encourage the ESO to consider and bring forward proposals for those LoA elements that will be most effective, and deliver the most benefit, but that can still be brought forward in a timely manner, for submission of a Final Modification Report (FMR) by March 2024".* Page 36 of the CAP also states that "*the requirement for an LoA for new transmission connection applications should have an immediate impact on the number of speculative projects submitted, which should be reflected in the numbers of applications joining the queue each month".* GEMA and DESNZ, acting in the interests of the consumer, have made this request publicly and therefore we would suggest this modification is urgent from a consumer angle. When considered along with the implementation of CMP376, we believe that the LoA will support this modification and should be implemented to support the queue management process as soon as practicable.

Currently, it is only at the M3 milestone within Queue Management where we have evidence that the Applicant has engaged with the landowner, which is late in the end-to-end process. Introducing a LoA earlier in the process will allow the ESO to have a much earlier indication of parties which are actively in discussions with landowners. We see a benefit to early discussions between Applicants and landowners which may raise the likelihood of a project progressing and overall help to reduce the number of projects failing to connect to the NETS - which currently has a failure rate of circa 60/70%. Introducing this as an urgent requirement within the CUSC will result in a reduction in speculative transmission connection applications. A reduction in speculative applications will allow for an earlier connection date for viable projects and prevent unnecessary system design and reinforcement, and the associated resource and cost in doing this. This modification should help reduce unnecessary network capacity allocation and network design, leading to lower TNUoS costs. An increase in new connections may also translate into better options for decisions in balancing services, leading to BSUoS efficiencies. There should be less speculative projects and so less cancellations, lowering risk of costs.

Interactions

☐Grid Code ☐European Network Codes	☐BSC ☐ EBR Article 18 T&Cs[2]	☐STC ☐Other modifications	☐SQSS ☐Other

No interactions with other Codes expected.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
Clock Start	The date on which your application and SRC data submission is deemed technically competent, and your fee is paid (the latter of the two dates). Clock start signifies the start of the 3 month offer period as defined in the CUSC.
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
DESNZ	Department for Energy Security and Net Zero
DNO	Distribution Network Operator
EBR	Electricity Balancing Regulation
ESO	Electricity System Operator
LoA	Letter of Authority
NETS	National Electricity Transmission System
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions
TMAs	Target Model Add-Ons
TO	Transmission Owner

[2] If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the Electricity Balancing Guideline (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.