

**CMP435 & CM096**

**Application of Gate 2 Criteria to existing contracted background**

**Workgroup Meeting 6, 12 June 2024**

**Online Meeting via Teams**



WELCOME





# Agenda

Topics to be discussed	Lead
Introductions	Chair
Timeline and Topics	Chair, Proposer, SME
Action Review	Chair
Terms of Reference	Chair
<ul style="list-style-type: none"><li>• Transitional arrangements and cut over arrangements</li><li>• NESO designation and connection point and capacity reservation</li><li>• ESO position clarification (scope, application fees, capital contributions, other development costs)</li></ul>	Proposer, SME
Any Other Business	Chair
Next Steps	Chair



# Timeline and Topics

Elana Byrne – ESO Code Administrator

# Timeline for CMP435 and CM096 as at 02 May 2024

Milestone	Date	Milestone	Date
Workgroup Nominations (4 Business Days)	26 April 2024 to 02 May 2024	Code Administrator Consultation (9 Business Days)	19 August 2024 to 02 September 2024
Ofgem grant Urgency	01 May 2024(5pm)	Draft Final Modification Report (DFMR) issued to Panel (3 Business Days)	09 September 2024
Assuming Ofgem have granted Urgency Workgroup meetings 1 - 6	07 May 2024 15 May 2024 23 May 2024 29 May 2024 04 June 2024 12 June 2024 19 June 2024	Panel undertake DFMR recommendation vote (Special Panel)	13 September 2024 (by 2pm)
Workgroup Consultation (8 Business Days)	25 June 2024 – 05 July 2024	Final Modification Report issued to Panel to check votes recorded correctly	13 September 2024 (by 4pm)
Workgroup meeting 7 - 11	16 July 2024 19 July 2024 23 July 2024 31 July 2024 06 August 2024	Final Modification Report issued to Ofgem	13 September 2024 (by 5pm)
Workgroup report issued to Panel (2 Business Days)	13 August 2024	Ofgem decision	06 November 2024
Special Panel sign off that Workgroup Report has met its Terms of Reference	16 August 2024	Implementation Date	01 January 2025

# Outline of Workgroup(s) Meeting Topics – CMP435 & CM096

WG meeting 1 (07 May)	<ul style="list-style-type: none"><li><del>Set the scene, ToR, timeline, ways of working, context – why connections reform, what are the issues and solutions, what is and isn’t scope, cross code impacts, who is impacted and how?</del></li></ul>
WG meeting 2 (15 May)	<ul style="list-style-type: none"><li><del>Proposed solution and identifying the key issues we need to address in future Workgroups</del></li></ul>
WG meeting 3 (23 May)	<ul style="list-style-type: none"><li><del>Exemptions from CMP435</del></li><li><del>What costs will be reimbursed?</del></li></ul>
WG meeting 4 (29 May)	<ul style="list-style-type: none"><li><del>Confirmation of Scope</del></li><li><del>Overview of Process</del></li><li><del>Financial Instruments</del></li></ul>
WG meeting 5 (04 Jun)	<ul style="list-style-type: none"><li><del>Applying concepts agreed in CMP434 to in-scope projects in CMP435 – Gate 2 criteria</del></li><li><del>Process update</del></li><li><del>Query log update</del></li><li><del>Capital Contributions (meeting with TOs on 3<sup>rd</sup> June) – verbal update in AOB</del></li></ul>
WG meeting 6 (12 Jun)	<ul style="list-style-type: none"><li>Transitional and cut over arrangements including how current applications and offers are treated, securities, pre-Gate 2 contract, scenario spreadsheet</li><li>NESO Designation and Connection Point and Capacity Reservation (note is a topic for CMP434 WG6 on 5 June)</li><li>ESO Position Clarification slides: Application fees, Capital Contributions, other development costs</li></ul>
WG meeting 7 (19 Jun)	<ul style="list-style-type: none"><li>Dispute Process (content covered in CMP434)</li><li>Approach to amending existing contracts and disapplication of User Commitment / Final Sums</li><li>Gate 2 Criteria and Evidence Updates</li><li>DNO/IDNO impacts</li><li>Update to Gate 2 evidence criteria and assessment</li><li>Query Log Review</li><li>Finalise WG Consultation (Separate CUSC and STC)</li></ul>
WG consultation (25 Jun – 05 Jul)	
WG meeting 9 (16 Jul)	<ul style="list-style-type: none"><li>Assess WG Consultation responses, discuss new points</li><li>Discuss potential alternatives and agree who develops these</li><li>DCUSA guidance/code changes here as should have a better idea of CUSC/STC</li></ul>
WG meeting 10 (19 Jul) and WG meeting 11 (23 Jul)	<ul style="list-style-type: none"><li>Finalise WG Alternatives (CUSC 1st then reflect in STC)</li><li>Legal Text (Separate CUSC and STC)</li></ul>
WG meeting 12 (31 Jul)	<ul style="list-style-type: none"><li>Finalise Legal Text (Separate CUSC and STC)</li><li>WG Alternative Vote (Separate CUSC and STC)</li><li>This is where we are re: Alternatives (Separate CUSC and STC)</li></ul>
WG meeting 13 (06 Aug)	<ul style="list-style-type: none"><li>Workgroup Report (Separate CUSC and STC)</li><li>Workgroup Vote (Separate CUSC and STC)</li></ul>



# Action Review

Elana Byrne – ESO Code Administrator

# Action review – WG6

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
2	WG1	AT	Document that charging and user commitments will be out of scope for CMP435 Document that charging methodology is out of scope and that user commitment is in scope of CMP435		N/A	Ongoing
6	WG1	EB	Workgroup to discuss the consequences of the SO:DNO/IDNO contract changes on DNO contracts with other parties	WG time to be allocated to discuss this specifically	WG7	Open
7	WG1	Code Admin	Collaboration space – access queries to be explored with IT	Members can also explore this with their IT teams	Ongoing	Open
12	WG2 (amended WG4)	LH/AC	<del>Discuss possibility of further impact assessment (RFI data).</del> Discuss impact assessments of solution options in terms of effects on the current and future queue.	ESO have confirmed that they will not pursue the use of consultants at this time	Ongoing	Open
14	WG2	AT/PM	Update WG topics	Further updates to be made post WG4	WG5	Open
15	WG2	AT/RW	Clarify process (WG2 slide 2 particularly the yellow box)	Superseded by Process slide that PM presented to 29 May 2024 and 4 June 2024 WG	WG3	Open- propose to close
16	WG2	LH	Look into securities for offers	To be referenced in WG6	WG6	Open
19	WG3	PM, MO	Clarification on mod apps where CMP435/CM096 are applicable	To be referenced in WG6	WG4	Open
20	WG3	RW, AT	TOs and ESO meeting needed to discuss data available to review capital contributions for 2024	Information to be brought back to the WG and discussed in context of transitional arrangements	Ongoing	Open



# Action review – WG6

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
21	WG3	ESO Connections Team	When considering transitional arrangements, include guidance for staged projects		WG6	Open
23	WG3	MO	ESO to check the process to avoid both DNO and ESO assessing evidence for Gate progression	Discussed with WG that there will be no duplication of checking evidence in relation to Gate 2	WG4	Open - propose to close
25	WG4	Proposers, SME, Code Gov	Topics slide – add dates to WG, consider best placement for discussion of impacts on DNO/IDNO, the WG consultation review & timings for DCUSA changes/guidance	Check with KS for DCUSA discussion (agreed with KS to be post WG consultation)	WG5	Open - propose to close
26	WG4	LC	Authority to consider licence obligations and possible penalties for DNOs/IDNOs performing checks on projects	Addressed by LC in WG5 and query 62 on query log	WG5	Open- propose to close
27	WG4	MO	Updates to the WG4 slides on Scope	For the avoidance of doubt...line, reference to Pt 1 & Pt 2, synch comps in embedded generation, wording around New Grid Supply Point/substation, reference to interconnectors – in the slide pack for WG6 for reference	WG5	Open - propose to close
28	WG4	PM	Work through different scenarios for progressing/not progressing through the Gates (accept, reject, refer) considering conditions such as restrictions on availability		WG5	Open
29	WG4	RP & KS	Map out the timings for implementation plan (ESO to liaise with ENA)		Ongoing	Open - propose to close

# Action review – WG6

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
30	WG4	PM	Review process slides – ongoing compliance pulled out to apply to all scenarios on example slide, consider simplification to manage queue position based on clock start date	Queue position line added to process slide in this pack; ongoing compliance was already added to process slide presented at WG5	WG5	Open - propose to close
31	WG4	RP	Call to be arranged between RP and JD about the consequences of customers not progressing if part of multi-customer applications (to then progress understanding of this via the ENA SCG groups)	Meeting Thursday 06/06	Ongoing	Open- propose to close
32	WG4	MO	ESO to confirm rationale for 3 month waiting period for refunds	Update shared in WG5 by MO that rationale was to allow security in place to lapse vs actively cancel/return it before natural expiration	WG5	Open - propose to close
33	WG4	RE	ESO to consider the analysis available/possible to support the proposal for the Gate 1 Capacity Holding Security	CMP434/CM095 to discuss first	Ongoing	Open - propose to close
34	WG5	Code Gov, Proposers, SME	Assess the agenda for 16 July (considering time needed to review consultation responses)		Ongoing	Open
35	WG5	RP	Updates shared to the 435/96 WG from the SCG group exploring implementation		Ongoing	Open
36	WG5	AQ	Statement from ESO as to the CAP150 powers and how they are applied /can be applied re: ongoing compliance (include link to CAP150 info on ESO website)		Ongoing	Open
37	WG5	AQ	Consequences for a false declaration on a self-certification letter outlined for CMP435/CM096 (i.e. any other than termination of agreement)		WG6	Open

# Action review – WG6

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
38	WG5	PM	Amend to the Planning: ongoing compliance slide to remove Gate 2, amend to Process slide to adjust in relation to reordering	Added to process slide in WG6 pack	WG6	Open - propose to close
39	WG5	PM	Date for the Gate 2 qualification dispute process could start	On agenda for 19 June WG	Ongoing	Open
40	WG5	RM/LH	RFI recipient to be confirmed for Drax	Sent it out to customers via a distribution list of customers from Salesforce and also published it on the website	WG6	Open - propose to close



# **Terms of Reference**

**Elana Byrne – ESO Code Administrator**



# Terms of reference – CMP435 (agreed by May Panel)

## Workgroup Term of Reference

- a) Consider Electricity Balancing Regulation implications.
- b) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter.
- c) Consider what types of existing contracts that CMP435 should apply to, and what exemptions are required (if any).
- d) Consider changes to the contractual arrangements for those existing contracted parties that have not met the Gate 2 criteria by the Go-Live Date of 1 January 2025.
- e) Review the transitional arrangements in relation to changes to the contractual arrangements and any associated costs.
- f) Consider the application of the User Commitment methodology to projects in Gate 1 and Gate 2 and the transitional arrangements that may be required for existing connections contracts.
- g) Consider how any new financial instruments associated with connections are cost reflective and predictable.
- h) Consider how the solution(s) conforms with the statutory rights in respect of terms and conditions for connection.
- i) Consider the impact of NESO designation of Gate 2 status, and ways to make this non-discriminatory.
- j) The cross Code impacts this modification has, in particular the STC and distribution arrangements (e.g. DCUSA)
- k) Consider the relevant content of Annex B of the Ofgem [Open letter on connections reform publication](#).

# Terms of reference – CM096 (agreed by May Panel)

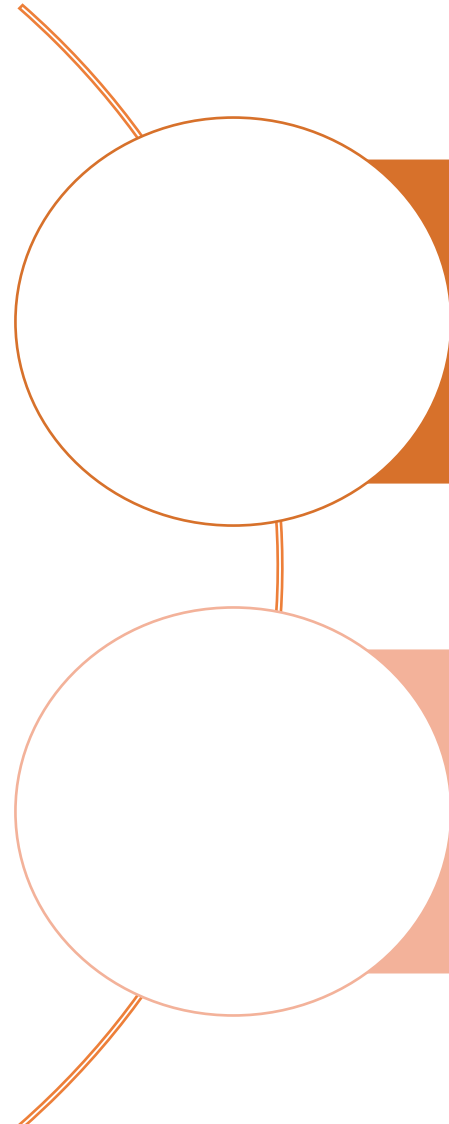
## Workgroup Term of Reference

- a) Consider Electricity Balancing Regulation implications.
- b) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter.
- c) Consider what types of existing contracts that CM096 should apply to, and what exemptions are required (if any).
- d) Consider changes to the contractual arrangements for those existing contracted parties that have not met the Gate 2 criteria by the Go-Live Date of 1 January 2025.
- e) Review the transitional arrangements in relation to changes to the contractual arrangements and any associated costs.
- f) Consider the application of the User Commitment methodology to projects in Gate 1 and Gate 2 and the transitional arrangements that may be required for existing connections contracts.
- g) Consider how any new financial instruments associated with connections are cost reflective and predictable.
- h) Consider how the solution(s) conform(s) with the statutory rights in respect of terms and conditions for connection.
- i) Consider the impact of NESO designation of Gate 2 status, and ways to make this non-discriminatory.
- j) The cross Code impacts this modification has, in particular the CUSC and distribution arrangements (e.g. DCUSA).
- k) Consider the relevant content of Annex B of the Ofgem [Open letter on connections reform publication](#).

# Transitional and Cut Over Arrangements

Laura Henry

# Transitional and cut over processes/periods explained



Transitional covers the process/offers that will be clock started from the 31<sup>st</sup> July 2024 (Significant Modification Applications) / 1<sup>st</sup> August 2024 (New Apps). This transitional period will last until the introduction of TMO4+ (subject to derogations from Ofgem) - this sits outside of CMP 434/435.

Cut over covers the (this is covered as part of the code modification) proposed process between the middle of November 2024 and the end of January 2025



## Transitional Arrangements/Offers (For context as not in scope for CMP435)

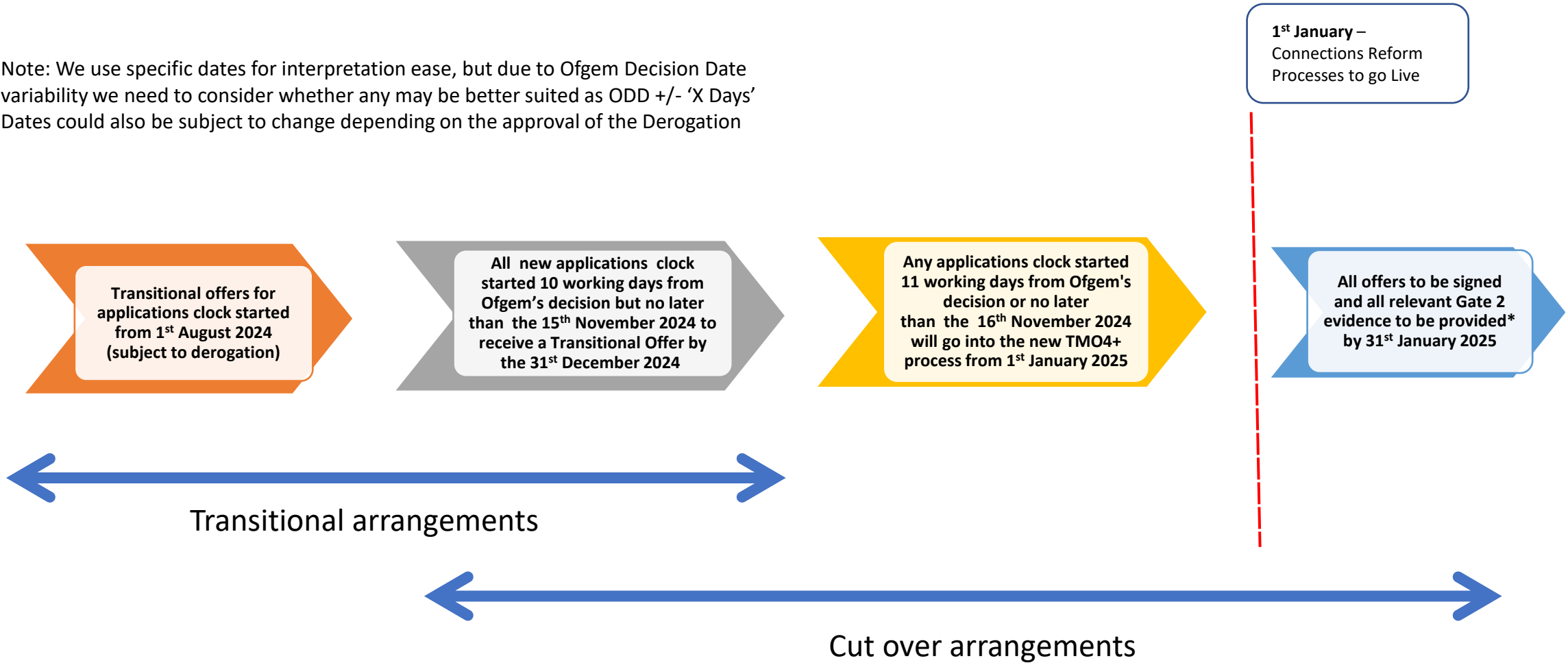


- Ongoing work with Ofgem, DESNZ, TO's and DNO's on Transitional Arrangements
- Derogations required to implement
- Reduces the need to re-issue agreements, as they will be similar to the proposed Gate 1 Offers
- Gate 1 Offers and Transitional Offers will have the same purpose (arrangements in relation to liabilities and securities are under consideration)
- No TOCO's to be received from the TO's

Timelines for the transitional arrangements and cut over process from 1<sup>st</sup> August: New Applications-

Mostly for context as most of this process will not be in scope for CMP435

Note: We use specific dates for interpretation ease, but due to Ofgem Decision Date variability we need to consider whether any may be better suited as ODD +/- 'X Days'  
Dates could also be subject to change depending on the approval of the Derogation



*\*Assumes Self-Certification process allows a move from End Dec 2024 to End Jan 2025 for Gate 2 evidence.*

## Timelines for the transitional arrangements and cut over process from 31<sup>st</sup> July: Significant Modification Applications

Mostly for context as most of this process will not be in scope for CMP435



\*DNO small and medium customer process to be verbally updated in the workgroup

# Scenarios raised by the Workgroup

Scenario	ESO Response
New potential connection project which hasn't yet applied to ESO (including embedded via DNO)	If the project clock starts after the 1 <sup>st</sup> August 2025 then a Transitional Offer will be issued and if the project clock starts after the 15 <sup>th</sup> November 2025 then the project will be moved into the new TMO4+ process from 1 <sup>st</sup> January 2025.
Customer has made an application, but not received an offer at the Ofgem decision date	All Transitional offers will be issued by the 31 <sup>st</sup> December 2024 and will need to be accepted by 31 <sup>st</sup> January 2025.
Customer has made an application, but not received an offer before 31 December 2024	New Applications made until the 15 <sup>th</sup> November 2024 will receive a Transitional Offer (all to be made by 31 <sup>st</sup> December 2024), any Offers made from the 1 <sup>st</sup> December 2024 will go into the new reformed process from 1 <sup>st</sup> January 2025.
Customer has made a Modification Application, but not received an offer at the Ofgem decision date	Significant modification offer will all be received by the 31 <sup>st</sup> October 2024, and non-significant modification offers will continue to be issued throughout the transitional and cut over periods.
Customer has made a Modification Application, but not received an offer before 31 December 2024	Significant modification offers will all be received by the 31 <sup>st</sup> October 2024, and non-significant modification offers will continue to be issued throughout the transitional and cut over periods.
Customer received an offer (but not signed that offer and is still open for acceptance) at the Ofgem decision date	Transitional offers received by the customer before the 31 <sup>st</sup> October 2024 will have the standard 3 months to sign, whereas transitional offers received by the customer after the 31 <sup>st</sup> October 2024 will have until the 31 <sup>st</sup> January 2025 to sign.
Has received an offer (but not signed that offer and is still open for acceptance) before 31 December 2024	Transitional offers received by the customer before the 31 <sup>st</sup> October 2024 will have the standard 3 months to sign, whereas transitional offers received by the customer after the 31 <sup>st</sup> October 2024 will have until the 31 <sup>st</sup> January 2025 to sign.



# Scenarios raised by the Workgroup

Scenario	ESO Response
Customer has received an offer (but not signed that offer and in fact has referred the offer to Ofgem) at the Ofgem decision date	Ofgem to provide a update on timescales in relation to determinations.
Customer received an offer (but not signed that offer and in fact has referred the offer to Ofgem) before 31 December 2024	Ofgem to provide a update on timescales in relation to determinations.
Customer received an offer and accepted it but the App G hasn't been updated at the Ofgem decision date	A verbal update will be provided in the workgroup.
Customer has received an offer and accepted it but the App G hasn't been updated before 31 December 2024	A verbal update will be provided in the workgroup.
Customer received an offer and accepts it after 31 December 2024	Offers can be accepted up to the 31 <sup>st</sup> January 2025. Acceptance period for transitional offers (which would naturally be beyond this date) to be reduced from the standard three months.
Existing connected/operational User project with no intention of re-powering / making Modification Application	No change (assuming not a significant modification application).
Distribution-connecting customer meeting Gate 2 criteria has accepted offer from DNO but competent application has yet to be confirmed by ESO on Ofgem decision date	To be confirmed in the workgroup.

# Scenarios raised by the Workgroup

*Note: Any projects with Transitional Offers signed before 31<sup>st</sup> January 2025 and providing Gate 2 evidence will be included within the Gate 2 to Whole Queue network design process to be provided with a confirmed connection date and connection point (as they will not have one to keep or advance).*

Scenario	ESO Response
A Transmission-connecting customer meeting Gate 2 criteria has submitted an application but the competency of the application has yet to be confirmed by ESO on Ofgem decision date (i.e. not clock started)	If a new application has not clock started by the 15 <sup>th</sup> November 2024 then it would need to be part of the new TMO4+ reform process from 1 <sup>st</sup> January 2025.
Distribution-connecting customer meeting Gate 2 criteria has accepted offer from DNO but competent application has yet to be confirmed by ESO by 31-Dec-2024	This will need to be assessed/progressed by the DNO as part of the new TMO4+ reform process from 1 <sup>st</sup> January 2025.
A Transmission-connecting customer meeting Gate 2 criteria has submitted an application but the competency of the application has yet to be confirmed by ESO on 31st December (i.e. not clock started).	If a new application has not clock started by the 15 <sup>th</sup> November 2024 then it would need to be part of the new TMO4+ reform process from 1 <sup>st</sup> January 2025.
Has received a BEGA offer and accepted it but the DNO/IDNO BCA mod app hasn't been accepted at 31 December 2024 (small/medium generator ie BEGA is optional)	An update will be provided in the workgroup.
Has received a BEGA offer and accepted it but the DNO/IDNO BCA mod app hasn't been accepted at the Ofgem decision date (small/medium generator ie BEGA is optional)	
Has received a BEGA/BELLA offer and accepted it but the DNO/IDNO BCA mod app hasn't been accepted at 31 December 2024 (large generator)	
Has received a BEGA/BELLA offer and accepted it but the DNO/IDNO BCA mod app hasn't been accepted at the Ofgem decision date (large generator)	



# **NESO Designation**

**James Norman/Ruth Matthew - ESO**

Note: red text on next pages illustrates any change from the pack presented at CMP434 on the 5<sup>th</sup> June

# NESO Designation

## What is NESO Designation:

NESO Designation would prioritise connections for viable projects that:

- i. Are critical to Security of Supply
  - ii. Are critical to system operation
  - iii. Materially reduce system/network constraints
- It is proposed that Network Services Procurement (previously referred to as Pathfinders), Competitively Appointed Transmission Owner (CATO) and co-ordinated offshore network design arrangements will be dealt with in a separate 'bay / capacity reservation' policy rather than being incorporated under NESO designation (as previously proposed). This is because it is not possible to identify the specific nature / location / developer of projects resulting from Network Services Procurement or CATO (or, to an extent, in relation to co-ordinated offshore network design) until after the competition/leasing round has concluded. So in order to ensure efficient outcomes for the competition and for consumers, relevant bay(s) / capacity need to be reserved for competition / leasing round winners before the outcome of the competition / auction is known.
- It is intended that NESO designation would only be applied where there are significant issues (eg material cost detriment to consumers) caused by not taking action and these could not be otherwise mitigated through the standard first ready first connected approach under TMO4+.



# NESO Designation

## Relationship between NESO Designation and Gate 1, Gate 2 and Post Gate 2

Gate	Criteria	Process	Exemptions	Priority
Gate 1	✓	✓	✓	
Gate 2	✓	✓		✓
Post Gate 2				✓

### Gate 1 (for Info only for CMP435) :

- Still required to meet Gate 1 Criteria and process
- Possibility of exemptions which would be determined on case by case basis for each NESO designation. This would be where a project can meet both Gate 1 and Gate 2 criteria at the same time and providing a Gate 2 offer is time critical e.g. need to urgently accelerate connection dates for projects critical to security of supply.

### Gate 2:

- Still required to meet Gate 2 readiness criteria and process
- NESO Designated projects would be prioritised within a Gate 2 batch i.e. would have priority access to available capacity, earlier connection dates compared to other projects in Gate 2 batch.

### Post Gate 2:

- NESO designation projects would have first refusal on any capacity to be reallocated following terminations, i.e. NESO designated projects would have priority right to that capacity ahead of Gate 2 batch projects.

# NESO Designation

## Definitions and Process for NESO Designation

### Definition of key terms (subject to final approval):

#### Security of Supply

Under Energy Act 2023 Section 163, the definition of Security of Supply is expanded to take into consideration the evolved role of NESO as follows “ensuring the Security of Supply to existing and future consumers, of:

(a) electricity conveyed by distribution systems or transmission systems, and

(b) gas conveyed through pipes.”

The ESO views Security of Supply in terms of "adequacy". The ability to meet supply is not defined in terms of price or whether it is low carbon.

#### Critical to System Operation:

System Operation is underpinned by the ESO / NESO's licence conditions and includes for example, C28 4(a) taking the most efficient actions to operate the national electricity transmission system based on all of the relevant information the licensee had available at the time; C28 4(b) taking into account the impact such actions have on competition in the wholesale electricity market and on economic, efficient and coordinated operation and development of the total system; C28 4(c) considering the impact any action would have on the total system; C28 4(h) procuring balancing services to ensure operational security.

### Materially Reduce System / Network Constraints:

Constraint management is required where the electricity transmission system is unable to transmit power to the location where that power is needed, due to congestion at one or more parts of the transmission network. If the system is unable to flow electricity in the way required, NESO will take actions in the market to increase and decrease the amount of electricity at different locations on the network. Example situations include:

- Import - The energy demand cannot be met by localised generation and the flow on the circuits into that area is limited by the capacity of the circuits; or into that area is limited by the capacity of the circuits.
- Export - The generation in the area is not offset by the localised demand and the flow on the circuits out of the area is limited by the capacity of the circuits.

Ask – Do you agree with definitions?

# NESO Designation

## Definitions and Process for NESO Designation

### Proposals for Identifying NESO Designated Projects (subject to final approval)

- NESO will publish criteria and a methodology for determining NESO designated projects against the three areas (i,ii and iii) and publish information to help projects take a view on whether they may be suitable for designation
  - NESO would expect individual projects to approach the NESO if they wish to be considered for designation. However, NESO can also approach individual projects
  - This can happen at any time of the year.
  - NESO designation projects can be connected at transmission level or distribution level, however, current view is that the relevant criteria are more likely to be met by transmission connected projects
  - The project can be at any stage of development, but in order to get maximum benefit we recommend that projects seek designation as early as possible.
  - A project does not need a connection agreement in order to be designated.
  - NESO will not set any hard timelines on how long the designation process will take, so we would suggest that parties seek designation as early as possible.
- It is proposed that NESO will publish its decision on projects that are NESO designated. However, to be established the level of detail e.g. publish project name and a high level explanation on why a project as been designated.
  - It is proposed that NESO designation will apply to the first Gate 2 batch (ie applying Gate 2 to the whole queue) as well as to future Gate 1 / 2 for new applications.
  - **Dispute of any NESO designation decision will not fall under any fast-track disputes process for TMO4+.**

Ask – Do you agree with proposals for identifying NESO designated projects?

# NESO Designation

## NESO Designation in Codes / Methodology Documents

- It is proposed that NESO designation will follow a similar precedent to the Interactivity Policy (noting more process controls will likely be required than for the interactivity policy)
- Within CUSC Section 11, the Interactivity Policy is defined as the “the policy adopted by The Company for the purposes of managing Interactivity and published on its website as it may be amended from time to time”. If NESO adopts a similar approach, this would allow the NESO to publish a clear methodology which could be amended as the processes are defined and developed further during implementation
- It is, therefore, proposed that using the precedent set by the definition of Interactivity Policy that NESO Designation be defined within the CUSC along the following lines “projects designated by NESO as ‘critical to system operation or to security of supply, or that NESO designates as materially reducing system/network constraints”. The CUSC definition would then refer to NESO methodology/process as a separate document and it may set out the process by which it will be updated from time-to-time (this may be via NESO publishing and consulting on any changes in defined timescales and in defined ways which then have to be approved / not vetoed before updating and publishing on the website. This will be subject to Ofgem licence changes and legal code drafting processes.

Ask – Do you agree with suggested approach to codifying the definitions?

## Connection Point and Capacity Reservation

Within STC we currently have the discretionary ability to reserve bays.

Within TMO4+ we plan to continue to use these rights in limited circumstances, separate to the Gate 2 criteria (including NESO Designation).

Due to existing limitations, we plan to expand this existing 'bay reservation' approach to become a broader 'connection point and capacity reservation' approach in TMO4+.

For the avoidance of doubt, the Gate 2 criteria (including NESO Designation) and associated obligations would continue apply to any project which is allocated a connection point (and potentially capacity) which had previously been reserved through this process, and anything unallocated would be released for reallocation at the appropriate time.

This approach is currently used for Network Services Pathfinders, but it could in future be used to facilitate network competition and further offshore co-ordination within TMO4+

Ask – Do you agree with suggested approach?



# ESO Position Clarification

Mike Oxenham and Paul Mullen

# Combined Table – CMP434/CMP435 Scope\*

To support a common WG understanding and not proposed to be CUSC s11 definitions

## Terminology:

Connected: Where the project (in full or in part) is Energised.

Contracted: An accepted offer for a project, but where the project is not yet Connected.

New: A new application for a project, which is independent of any Contracted or Connected project(s).

Connectee Type	CMP434	CMP435
<ul style="list-style-type: none"><li>• Directly Connected Generation**</li><li>• Directly Connected Interconnectors and Offshore Hybrid Assets</li><li>• Directly Connected Demand</li><li>• Large Embedded Generators<ul style="list-style-type: none"><li>○ Whether a BELLA or a BEGA (via the ESO)</li><li>○ Whether embedded within in a DNO or an IDNO network.</li></ul></li><li>• Relevant Small and Medium Embedded Generators<ul style="list-style-type: none"><li>○ Via DNOs/IDNOs and included in ESO/DNO (or ESO/IDNO) contracts (e.g. Appendix G***)</li><li>○ Includes such projects opting for a BEGA (via the ESO)</li></ul></li></ul>	New	Contracted and Connected (but only in relation to any project stages which are yet to be Energised)
‘Significant’ Modification Applications (in relation to the above)	Contracted and Connected	N/A

The above applies from Go-Live, noting that in respect of CMP435 Transitional Arrangements (and the impact on the above, if any) remains to be discussed.

*\* For the avoidance of doubt, the requirements in CMP434/435 apply to in-scope Generation, Interconnection / Offshore Hybrid Asset and/or Demand Users (excluding Embedded Demand, which are not in scope) and the requirements do not apply to the construction of new transmission assets. For example, if a Directly Connected Generation customer triggers a new transmission substation, then the CMP434/435 Gate 2 criteria requirements only apply to the land related to the generation site and not to the land related to the new transmission substation, or other transmission infrastructure.*

*\*\* For the avoidance of doubt, this includes Storage and OMW Connections, such as Sync Comps, etc.*

*\*\*\* For the avoidance of doubt, CMP435 applies to Relevant Small and Medium Embedded Generators in Appendix G in the same way as for other connectees types in respect of ‘Contracted’ and ‘Connected (but only in relation to any project stages which are yet to be Energised)’.*



# Application Fees – *updates in red text from what we presented at Workgroup 23 May 2024*

## Principles

- As application fees are a sunk cost (i.e. the cost related to the reasonable costs of the ESO and TOs in processing an application), applying Gate 2 to the Whole Queue will not result in any refund/rebate of application fees paid historically; reconciliations where not undertaken by go-live would however still be undertaken.
- *To illustrate, developer has paid an application fee of £10K, the costs that ESO and TO have spent in processing the application are £3K so £7K is returned to the developer.*

## Application Fee scenarios

In relation to go-live:

- **Projects which do not meet Gate 2 at go live** and therefore need to apply via a Gate 2 window/batch in future will need to pay the prevailing application fee for that process.
- **For those which submit evidence as part of go-live to demonstrate they have met Gate 2 and wish to remain with their contracted connection date** there will be no application fee. *Note this is not an opportunity for a developer to change their agreement.*
- **For those which submit evidence as part of go-live to demonstrate they have met Gate 2 and wish to advance their connection date** *there will be a Modification application fee re: the advancement*

## Transitional arrangements

- Application fees in the context of transitional arrangements *discussed earlier at today's Workgroup.*



Confirms the position we will present as part of Workgroup Consultation - we note other opinions expressed in query log (and we have responded to these) and will see what comes back as part of the Workgroup Consultation

# Capital Contributions - update in red text from Workgroup 23 May 2024

## If met Gate 2 by go-live date

- We do not see a need to review capital contributions, unless as a result of a change in transmission reinforcement works due to an advanced connection date being offered (e.g. at a different connection point) at the request of a customer having met Gate 2 at go-live.

## If not met Gate 2 by go-live date

- In respect of capital contributions paid by projects which have not met Gate 2 we need to consider the cash flow and consumer impacts of any potential rebates. As capital contributions prior to connection are optional there could be the possibility of rebate for such projects (i.e. to align with the proposed User Commitment liability and security relief for projects which have not met Gate 2 at go-live.) – in principle we want to avoid double charging someone for the same asset (e.g. they have already paid capital contribution, we decide not to refund and then they end up paying for the same asset after they meet Gate 2) or we decide not to refund and then charge for a different set of connection asset works. We need to understand the extent of the issue as we don't know yet how many customers this may impact (i.e. who pays capital contributions to the ESO and doesn't meet Gate 2) – ultimately this may lead to a further separate Modification in Q1 2025 if reimbursements cannot be done through existing Code provisions.

## Transitional arrangements

- Not applicable in relation to transitional and cutover arrangements.



Confirms the position we will present as part of Workgroup Consultation - we note other opinions expressed in query log (and we have responded to these) and will see what comes back as part of the Workgroup Consultation

## Other Development Costs – *no changes to what we presented at Workgroup 23 May 2024*

### Project Development Costs

- In respect of development costs incurred by developers prior to go-live, we are not proposing any payment/compensation in the event they have not met Gate 2.



Confirms the position we will present as part of Workgroup Consultation - we note other opinions expressed in query log (and we have responded to these) and will see what comes back as part of the Workgroup Consultation

# CMP435 Illustrative Example of Process (*Updates in red text from Workgroup 5 on 4 June*)

Let's say there are 100 projects in CMP435 scope, across Transmission and Distribution

By 31 December 2024 they will need to provide evidence they have met Gate 2 (as defined in CMP434)

## 50 projects meet Gate 2 criteria by 31 December 2024

- **Of these 25 want to advance, the other 25 don't**
  - 25 that want to advance
    - Signalled to ESO or I/DNO (as appropriate) by 31 December 2024
    - Assessed based on who reached Gate 2 criteria first and it's that criteria that forms the new queue
    - Possibility of an application fee, but this remains under consideration
    - They decide whether to accept, reject or refer Offer
- **25 that don't want to advance (i.e. wish to remain with their contracted connection date)**
  - No application fee payable
    - Intention is that Connection Date remains the same.
    - We do not plan to reorder the transmission queue for those which have met Gate 2 and are not seeking advancement. *We note alternative suggestions on queue position at Workgroup and query log and will ensure factored into the development of the Connections Network Design Methodology.*

For both scenarios, ongoing compliance requirements (as created by Gate under CMP434) e.g. forward looking M1 milestones, red line boundary change restrictions will be added to contracts

## 50 projects don't meet the Gate 2 criteria by 31 December 2024 (assumed that don't raise a dispute)

- Existing contract becomes a Gate 1 "contract" (and lose queue position) and disapply Queue Management Milestones and UC liabilities/securities. *We are considering the point raised by a Workgroup Member on whether there is an option for pre-Gate 2 projects to self-terminate ahead of this date.*
- Our preference is to generically amend existing contracts through provisions in CUSC rather than amending individual contracts.
- In the above scenario, security requirement lapses from 31 March 2025 and escrow monies returned shortly thereafter. We will talk further on this process at meeting on 12 June 2024.
- If and when projects subsequently meet Gate 2, as per CMP434 they can submit a Modification Application to move to Gate 2 (and pay Modification Application fee) and in this Modification Application, they can request a connection date and connection point and then receive a Gate 2 Offer.



## **Any Other Business**

**Elana Byrne – ESO Code Administrator**



## Next Steps

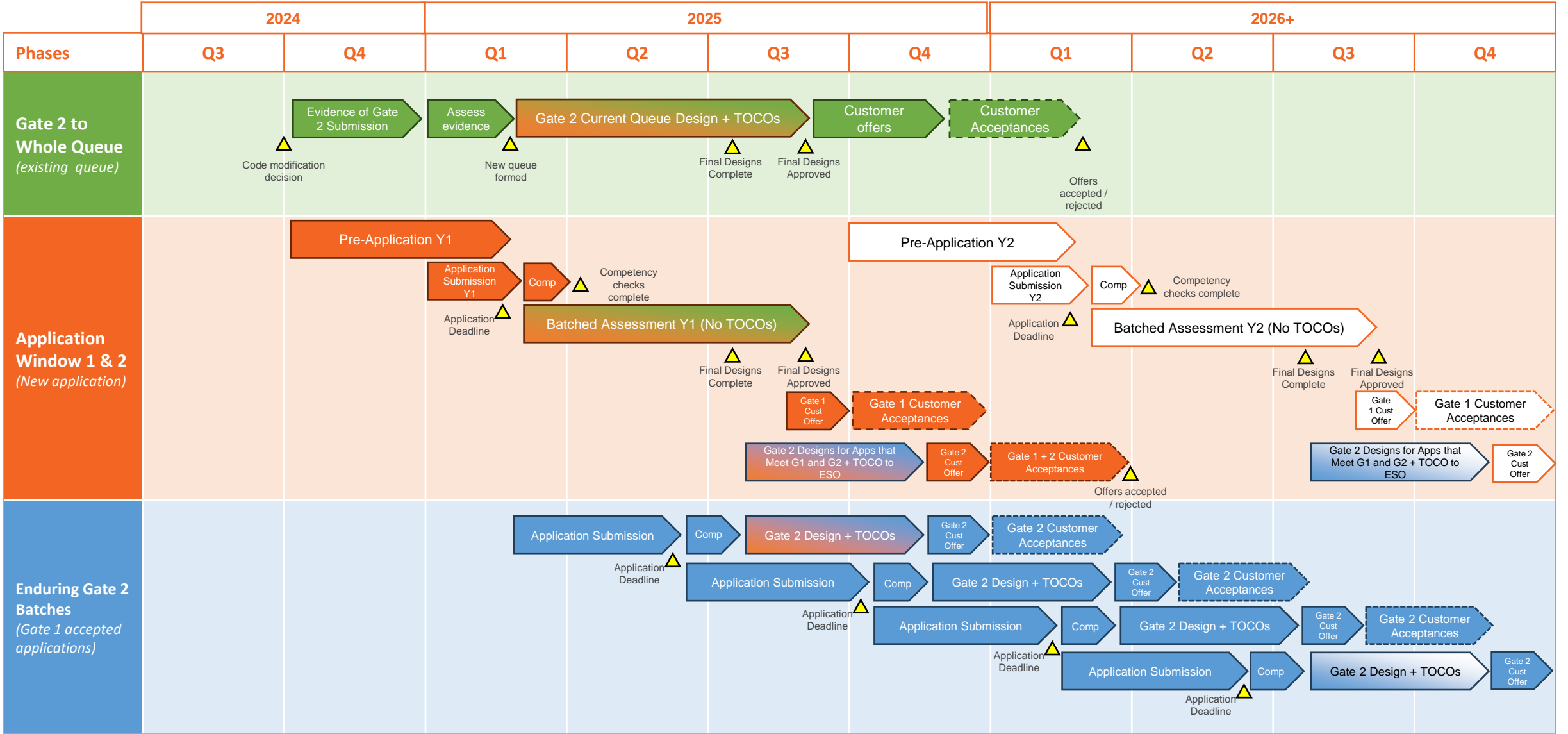
Elana Byrne – ESO Code Administrator



## **Appendix 1: CMP434 and CMP435 Draft Process**



# Process and Timeline



Key: Phase Interdependent activities Phase Interdependent activities Phase interdependent activities Milestone



## **Appendix 2:**

# **Gate 2 Criteria Overview and Secured Land slide updates**

## What is the purpose of Gate 2?

- To provide a full offer including a queue position (and so connection point and connection date) to projects.
- With a batched process there may also be an opportunity for some consequential network design co-ordination.

## What Gate 2 criteria have we considered previously?

- In our initial consultation, we proposed a Gate 2 of submission of application for planning consents (i.e. Queue Management Milestone M1) but many respondents felt this was too onerous from a development perspective.
- After consultation and stakeholder engagement (including a focused workshop with land and planning experts across different customer groups), we concluded that something in between M1 and M3 that is clearly evidencable, does not unduly discriminate against a particular technology or cause any material issues for projects utilising a particular planning consents route compare to other routes e.g. Development Consent Orders.
- When raising this code modification, we also considered a Gate 2 financial instrument as an additional criteria. However, we believe that if the submission of the application for planning (**Queue Management Milestone (M1)**) is forward calculated from Gate 2 offer acceptance date, this provides a sufficient incentive for projects to progress to connection and as such **propose no further financial instrument at Gate 2.**

## What Gate 2 criteria are we proposing today?

- Secured Land
- *Note there will be ongoing compliance requirements as well*

## Proposed Gate 2 Criteria:

Secured Land (*note there will be ongoing compliance requirements as well*)

## No longer part of our proposal:

Consideration of a Gate 2 Financial Instrument

# Secured Land: Technology Differences - *updates in red text*

To provide clarity in relation to Offshore Wind, Offshore Hybrid Assets (OHAs) and Interconnectors.

All Technologies (excluding Offshore Wind, OHAs and Interconnectors)	Offshore Wind	OHAs and Interconnectors
Secured the rights to lease or own the land (or already leases or owns the land) on which the Site is planned to be located.	Agreement for Lease with The Crown Estate / <b>Crown Estate Scotland</b> for the seabed awarded / signed through the leasing round.	Secured the rights to lease or own the land (or already leases or owns the land) for the Onshore Converter Substation.



Confirms the position we will present as part of Workgroup Consultation - we note other opinions expressed in query log (and we have responded to these) and will see what comes back as part of the Workgroup Consultation