

**Workgroup Consultation Response Proforma****CMP434: Implementing Connections Reform**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com) by **5pm on 06 August 2024**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details	
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<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input checked="" type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

**I wish my response to be:**

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Workgroup, Panel or the industry for further consideration)

**For reference the Applicable CUSC (non-charging) Objectives are:**

- The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;
- 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;
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and
- Promoting efficiency in the implementation and administration of the CUSC arrangements.

\*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.

**Please express your views in the right-hand side of the table below, including your rationale.**

Standard Workgroup Consultation questions				
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe the Original solution better facilitates:</p> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D</td> </tr> </table>	Original	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
Original	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D			
<p>The proposals in the Workgroup Consultation report fail to effectively address the relevant objectives. Instead of providing practical solutions, they impose restrictive measures on developers, based on unrealistic assumptions about how developments are funded and executed in an idealized scenario where capital flows freely without the need for firm commitments from Transmission companies regarding location or connection dates.</p> <p>The suggested reform to a two-step connection process, along with rigid codification of what the ESO considers a "ready" project, fundamentally misunderstands the nature of capital deployment in the real world. By placing early-stage capital at significantly greater risk compared to current practices, these proposals will drive developers to demand higher returns, ultimately leading to increased costs for consumers. This cost shift, far from being beneficial, will harm consumers.</p> <p>The growing demand for connections is not the problem; it's a symptom of a network infrastructure that has failed to evolve. This failure stems from a regulatory regime that has historically focused on the wrong issues, neglecting the need for anticipatory investment in the network. The proposed solutions do nothing more than cull potential projects to reduce the queue, a superficial fix that ignores the real issue: inadequate network capacity at critical locations within a reasonable timeframe.</p> <p>By increasing developer risks and thereby necessitating higher remuneration to compensate for the inevitable abandonment of significant projects, these proposals will not solve the problem. If the connection queue is whittled down to a single willing connectee, the underlying issue—insufficient capacity in the network's overhead lines and substations—remains unresolved. This shortfall directly hinders the UK's ability to achieve its net-zero goals.</p> <p>Given these factors, it is clear that the proposed modifications not only fail to meet the relevant objectives but also perpetuate the inertia of incumbent monopolies. These companies could voluntarily invest in their networks in anticipation of future needs, but they are held back by a fear of stranding investments.</p> <p>A more effective approach would involve leveraging transportation charging statements to signal congestion and updating charging methodologies to encourage connections in optimal locations. Alternative regulatory models, such as</p>				

	the Depreciated Optimised Replacement Cost approach, could also promote more efficient outcomes by incentivizing network monopolies to invest proactively and deliver connections within a reasonable timeframe.	
2	Do you support the proposed implementation approach? (see pages 59-61)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	See above – the one size fits all approach to development is inappropriate	
3	<p>Do you have any other comments?</p> <p>Presently, connectees do not know what capacity is secured, applied for, accepted at each substation. The TEC registers are not updated and no public information of demand connection agreements by location is published. This makes it almost impossible for developers to apply at exact locations where capacity is likely and instead promotes the practice of developers applying at multiple locations which, when taken together, creates a perception of greater demand for connections that deemed necessary to deliver on various government targets.</p> <p>Being ready to connect requires a Firm location, a Firm connection point, a Firm connection Date before a developer is able to invest in significant funds to prepare the information readying a site for submission to a planning authority. However, the workgroup proposals seek to make the connection location and connection date meaningless unless a developer gambles funds on preparing a planning application on the hope that its scheme is not required to move location or finally obtains a date later than required. Such an approach advocated in these proposals will not help businesses in GB grow, will not promote decarbonisation in the timeframe required and will not reduce costs for consumers or promote competition in the supply of electricity (since the only developers able to take on these greater risks will be those with a large balance sheet and diverse income streams) – hence these proposals will not benefit consumers at all.</p>	
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the <a href="#">Workgroup Consultation Section</a> ) <input checked="" type="checkbox"/> No
	Click or tap here to enter text.	

### Specific Workgroup Consultation questions

5	<p>Do you agree with the elements of the proposed solution?</p> <p>Element 7 has been de-scoped and Element 10 is proposed to be codified within the STC through modification <a href="#">CM095</a>.</p>
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Please provide rationale for your answer and any suggestions for improvement to each element?	
<b>Element 1:</b> Proposed Authority approved methodologies and ESO guidance (see pages 9-10, 55)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>This will end up with ESO deciding what is allowed to even apply and will by definition exclude parts of the market the ESO is not aware of and the market will be unable to propose adjustments or alternatives and this is slow innovation in the methodologies.</p>	
<b>Element 2:</b> Introducing an annual application window and two formal gates, which are known as Gate 1 and Gate 2 (i.e. the Primary Process) (see pages 11, 35-36)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Gate 1 is has no or very little value to a developer as no certainty over location, date or capacity will exist on which investment committees can make rational decisions to progress projects at sensible at sensible returns. Gate 2 requires a fully formed project after significant investment has occurred and only then will a connection point become firm along with a connection date the ESO can still shift at will.</p> <p>Therefore, the only point of Gate 1 would appear to bundle up information to allow a more holistic view of network reinforcements that may be required. However, this still assumes that gate 1 projects will proceed and so fails to solve the issues of efficient network reinforcements to increase capacity for customers.</p> <p>The additional detail of red line boundary rules between gate 1 and gate 2 does not recognise the real world development process when negotiations with local planning authorities often require changes in scale or development boundary issues and the proposed rules in this area are an effective “trip wire” to early Termination.</p>	
<b>Element 3:</b> Clarifying which projects go through the Primary Process (see pages 11-12, 35-36)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>All projects including Pathfinder projects should go through the primary process. However, the timescale associated with the Primary Process are too short for Interconnector Projects as these often have an extended period of uncertainty while regulatory approvals are sought (window 3 is now 2 years old and still no decision has been made). It is unhelpful to expect an interconnector developer to continue to sink significant funds in a project whilst its specific connection point remains uncertain and whether or not it has obtained regulatory approval in both jurisdictions. <a href="#">Click or tap here to enter text.</a></p>	
<b>Element 4:</b> Significant Modification Applications concept, including the proposed criteria and the proposed level of codification (see pages 12-13, 36-39)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Where a project has no practical physical impact on the network no modification application ought to be necessary to update project details via an ATV. Where a project changes scope, scale, tech and this will have a significant impact on the network to which it is connected then a modification application should be required.</p>	

<p>The reason we have checked the “No” box here is because whilst significant mod apps concept is included it is less clear about the process for those changes which are not significant. Our thoughts are these should not change the connection location or connection date. <a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 5:</b> Clarifying any Primary Process differences for customer groups (see pages 13-14, 35-36)</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p><a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 6:</b> Setting out the process and criteria in relation to Application Windows and Gate 1, including introducing an offshore Letter of Authority equivalent as a Gate 1 application window entry requirement for offshore projects (see pages 15-16, 39-40)</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>For interconnectors, without a firm connection location in GB and a connection location in the connecting country it is impossible to consider a sea bed route sufficiently narrow to be of any use for an authority to provide anything other than a presumption of acceptance of a possible sea bed route. The sequencing assumptions of the workgroup on which this modification is proposed is incorrect which leads to meaningless administration which will not prove a project is any more or less advanced than any other. <a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 7:</b> Fast Track Disagreement Resolution Process (de scoped from this modification – see pages 16, 58)</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>This is necessary to avoid risk and time delays for viable projects where the ESO has made inaccurate assumptions or simply made an error. Without this the time and cost delay possibilities will accrue to consumers in the form of higher development premiums. <a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 8:</b> Longstop Date for Gate 1 Agreements (see pages 16, 40-41)</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Since Gate 1 is of no value to a developer and therefore essentially meaningless to the ESO the concept of a longstop date will just result in another application with fees. It does not practically achieve anything other than increase unnecessarily development costs. <a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 9:</b> Project Designation (see pages 17-18, 48-49)</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>No Comment <a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 10:</b> Connection Point and Capacity Reservation (proposed to not be codified within the CUSC, but is intended to be codified within the STC through modification <a href="#">CM095</a> – see pages 18-20 and the <a href="#">CM095 Workgroup Consultation</a>, pages 6-10)</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>Bays are extremely limited. To have Bays reserved will result in other projects being delayed unnecessarily. <a href="#">Click or tap here to enter text.</a></p>	

<b>Element 11:</b> Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved (see pages 20-24, 42-46)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>The rather prescriptive detail on lease terms and option durations shows the ESO has only considered what an ideal structure would look like. It has not considered other arrangements like JV's, sale options, break clauses in leases, rent escalations where both developer and land owner may not wish to agree these elements 20 years in advance etc. There should be a broader evidence base the developer can submit to show "an adequate interest" in land.<a href="#">Click or tap here to enter text.</a></p>	
<b>Element 12:</b> Setting out the general arrangements in relation to Gate 2 (see pages 25-26, 47)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>See above – the arrangements are too prescriptive and only consider one model i.e what if the developer has Statutory Powers?... therefore planning is not required etc.... what if outline planning is sufficient for a purchaser but the final design needs consenting will only occur after the power is secured?...<a href="#">Click or tap here to enter text.</a></p>	
<b>Element 13:</b> Gate 2 Criteria Evidence Assessment (see pages 26-27, 47-48)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>See above<a href="#">Click or tap here to enter text.</a></p>	
<b>Element 14:</b> Gate 2 Offer and Project Site Location Change (see pages 28, 46)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Provided the connection point and date do not change and the tech, scale, scope do not affect the network why are there so many rules around energy density, red lines etc. These often change due to phasing requirements in response to market signals or as a direct result of interactions with the local planning authorities. Yet these real world interactions do not seem to be well understood by the team formulating these proposals.<a href="#">Click or tap here to enter text.</a></p>	
<b>Element 15:</b> Changing the offer and acceptance timescales to align with the Primary Process timescales (e.g. a move away from three months for making licenced offers) (see pages 29, 42-46)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>A single window for Gate 1 is a big risk for developers if the window is missed as significant demobilisation and remobilisation costs can occur if a year has to be waited before a gate 1 offer can be made. It is clear the ESO only places value on gate 2 readiness and will only build and commit in response to gate 2 readiness therefore having a years delay for gate 1, which is only ever indicative, seems very odd and only increases costs for developers. We have seen an analogous process through HND which then necessitated the HNDFUE given the projects included in HNDFUE alter what would otherwise be efficient investments decided through the original HND process. Markets work efficiently when information is available to all; if a project comes along in March it is incumbent that the ESO does not press ahead in ignorance with only that years gate 1 applications in mind if the</p>	



<p>solution the following year to incorporate information known as early as March could have been included. Therefore, more frequent gate 1 assessments are needed to create an evolving set of investment solutions and to facilitate efficient exchange of information between the users and ESO.</p> <p>More gate 1 windows will better facilitate the relevant objectives.</p> <p><a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 16:</b> Introducing the proposed Connections Network Design Methodology (CNDM) (see pages 29, 53-55)</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>This should be included in the Grid Code or CUSC whereupon all users have an ability to raise proposals to modify it allowing all of us to think about how to improve the processes should be embraced.<a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 17:</b> Introducing the concept of a Distribution Forecasted Transmission Capacity (DFTC) submission process for Distribution Network Operators (DNOs) and transmission connected Independent Distribution Network Operators (iDNOs) to forecast capacity on an anticipatory basis for Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations aligned to the Gate 1 Application Window (see pages 30-33, 51-53)</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>The DFTC has the same flaws as described for direct applicants for connections described in this response. It will slow investments and our ability to meet net zero will decline if these proposals are implemented. <a href="#">Click or tap here to enter text.</a></p>	
<p><b>Element 18:</b> Set out the process for how DNOs and transmission connected iDNOs notify the ESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet Gate 2 criteria (see pages 33-34, 51-53)</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>Adequate Processes already exist for this today and no changes are needed that would better facilitate the relevant objectives and promote the interests of consumers. <a href="#">Click or tap here to enter text.</a></p>	
<p>6 Are there any elements of the proposal which you believe should not be included as part of this proposed solution, which the Proposer believes represents the 'Minimum Viable Product' reforms required to the connections process? If not, why not? (Please note the element number in each of your responses if applicable)</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

	The need for Gate 1 is questionable in terms of value, the restrictions on annual applications will slow growth, the detail on what the ESO believes is necessary to reach gate 2 is too narrowly prescribed and the ESO needs to make more commitments at the time of gate 2 to take on liabilities if it fails to deliver.	
7	As per question 6, are there any additional features which you believe should be included as part of Minimum Viable Product reform to the connections process?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	See answer to Q 6 regarding firm commitments to deliver and payment of delay LDs if the ESO is late.	
8	Do you agree that the Gate 1 process should be a mandatory process step, or do you think Gate 1 should be an optional process step with projects being able to apply straight into the Gate 2 process if the project meets both the relevant Gate 2 and Gate 1 criteria?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Gate 1 should be optional if a project has the info to reach gate 2. Otherwise unnecessary delays are introduced.	
9	Do you believe that the proposed Gate 1 and Gate 2 process could duly or unduly discriminate against any types of projects? If so, do you believe this is justified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	Interconnectors need a firm connection and date to meet Ofgem's window eligibility criteria. The current proposals do not provide this and expect a developer to fully secure land sea bed routes before the connection location and date become firm. This will increase developer risk and increase the floor in the C&F regime in a way that is detrimental to consumers and will delay GBs ability to meet its interconnection targets and Net Zero.	
	The discrimination is not duly justifiable as it harms consumers.	
10	Please provide your views on the proposed options ((a) to (e) on page 45) to mitigate the risk of requiring a developer to submit their application for planning consent earlier	<input type="checkbox"/> Yes <input type="checkbox"/> No



	than they would in their development cycle (with the risk this consent could expire and any extension from the Planning Authority is not automatic).	
	A) Seems sensible; B) Not Viable as for interconnectors 10% spend may occur very early on and planning still may expire; C) seems sensible; D) this is okay but needs to be augmented for FM decisions by Ofgem; E) This should only occur if a delay is due to FM	
11	Do you agree that DFTC should be included as part of CMP434? If not, do you believe that the reformed connections process can function without DFTC? Please justify your answer. (see pages 30-34, 51-53)	<input type="checkbox"/> Yes <input type="checkbox"/> No
	No comment	
12	The Proposer intends to set out supporting arrangements for TMO4+ via a combination of guidance and methodologies (e.g. DFTC, CNDM, Project Designation, Gate 2 Criteria). Do you anticipate any issues with having these outside of Code Governance? (see Pages 9-10, 55)	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Yes. These should be inside the governance framework of the CUSC to allow all relevant parties to raise changes if such change better facilitates the relevant objectives.	