

Workgroup Consultation Response Proforma

CMP435: Application of Gate 2 Criteria to existing contracted background

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 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

Respondent details	Please enter your details	
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Which best describes your organisation?	<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 type="checkbox"/> Interconnector	<input checked="" 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:

- a) *The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- 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;*
- c) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*

d) *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.

Standard Workgroup Consultation questions

1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe the Original solution better facilitates:
		Original <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
<p>Ekus welcomes the proposer’s decision to implement the requirement to provide Gate 2 Criteria evidence to the existing connection queue. We agree that applying additional criteria to maintain your connection offer could enable readier and more viable projects to connect quicker.</p> <p>Our view is that for the desired outcomes to be achieved, you must ensure three things. First, the process must allow that are viable and progressing to connect sooner. In order to do this, the queue must reach a manageable size which would require it to shrink significantly. Second, the process must be transparent and successful enough to ensure projects in the queue have certainty over connection timescales. Finally, the process must continue to further the net zero transition and keep costs for consumers low. We do not currently believe that any of these criteria are fully met with the current proposal. The three issues are outlined below.</p> <p>Issue 1: There is a high risk that the current proposed Gate 2 criteria will take a large amount of effort to implement for too little impact on the queue.</p> <p>As of June 2024, the ESO’s connection forums stated that the total queue size was nearing 900-1000GW. The most they have ever connected is just over 6 GW / year, thus the queue would take 150 years to clear. Even if connections double or triple in capacity/year, the queue will need to be cut down by more than 2/3rds to provide those with Gate 2 connection dates more reasonable certainty. Accounting for the impact of new projects and gate 1 projects would require the queue to slim even further.</p> <p>The proposed Gate 2 criteria requires evidence of ownership, a lease or a fixed option in place for the land for at least 3 years. We believe that most projects within the queue will be able to submit a Gate 2 Self-Declaration letter. We estimate that these could be secured for £10-15k/year, a low barrier. The ESO’s RFI results also show that half the transmission connected assets agreed they could meet the requirements by January, over a quarter of respondents were ‘unknown’ and only about 20% were unable to submit the evidence. As we believe respondents would have been conservative (saying they couldn’t submit even if they could but didn’t want to), at best the criteria will be able to reduce the queue by a third, retaining at least 600 MW in the queue.</p>		

Issue 2: The timeframes for impacting the queue are too long and too uncertain, and thus will result in poorer quality and quantity of investment in the UK.

The connections reform process has been ongoing for 2 years. There is an expectation that after this final round of reform and the Gate 2 criteria is implemented, that projects with the required evidence will be able to have an earlier connection. If the first gate is not successful in slimming the queue enough, they will have to wait another 1 year (or undefined amount of time) for their code modification to go through only to see no change to their timeframes.

The modification also requires a change to the queue management rules to require a commitment to apply for planning within a short time frame (1-3 years). We believe this may be a sufficient significant filter for the queue; however, with the current requirement it will still take 1-3 years until projects are removed from the queue. The modification also does not make it clear if and how projects will be able to be accelerated once they achieve later milestones. These timescales are too long to have any update.

Thus, there is a risk that the ESO spends significant effort and time to implement this new methodology and gate 2 criteria and then projects still don't see any change to their queue position for several years and the process then needs to be repeated with more stringent criteria. In the meantime, viable projects will need to be held on balance sheets of developers for another several years before they have any update on their connection dates, and many will need to apply for planning permission based on indicative substations or multiple times and bear the costs of this. As a result, the UK is likely to lose investment risk not meeting their net zero goals.

Issue 3: The process / criteria as currently stated may increase the cost and decrease the chances of achieving net zero.

The process must focus on achieving net zero in the most cost effective means possible. The ESO stated that the current queue would require 100 substations, instead of the 20-30 that is economic for net zero. Building substations where they are not required will add additional time and cost toward achieving net zero. In addition, planning application submissions made to projects that only have indicative substations will increase costs to those projects and administrative burdens for planning departments. The current 'first ready, first connect' approach will not ensure consumer money is optimally spent. Instead, technologies and locations that support the net zero transition and system cost reduction should be prioritised. The designated projects approach may successfully solve this, but more detail and scrutiny is needed to ensure this is done in a fair and effective manner.

We believe that these three issues warrant further consideration before implementing the current proposal. However, with a few changes, the ESO would be able to minimise these risks and achieve the benefits. This is outlined more in question 2.

2	Do you support the proposed implementation approach? (See page- 57-58)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Overall, we welcome the motivations for the proposal and the implementation approach. We agree with several elements, which include:</p> <ol style="list-style-type: none"> 1) Gate 2 criteria should be added to the existing queue for all connection agreements. 2) Projects that cannot submit gate 2 evidence should have their firm connection offers removed. 3) Parties should be required to submit evidence to the ESO by as soon as possible (with 31 Jan 2025). <p>However, we do not believe the implementation approach is sufficient in the following areas:</p> <ol style="list-style-type: none"> 1) The criteria for gate 2 evidence. 2) The risks/uncertainties that will remain for viable projects that stay in the queue wishing to move forward their connection dates. <p>First, we believe that Gate 2 planning criteria will need to be both more stringent than the proposed solution to be adequate. We welcome the ESO’s proposal to submit land rights agreements. However, we believe further requirements are needed if the Gate 2 criteria is to have a material impact on the queue size, be practical to implement, and not require the ESO to run this process again in a few months. Our suggestion would be to include requiring an upfront payment to secure Gate 2 connections, either as a one-off payment or as a form of a bond which can be returned upon successful completion of M1 milestone. There could also be an additional option to pay a premium price to delay M1 milestone timing, for those serious developers that are willing to pay to be able to apply for planning only once a real substation and 3-year timeframe to grid connection are achieved.</p> <p>Second, the current process still includes too much uncertainty for viable projects with connection dates far in the future and unlikely to be moved forward in the next few years following this implementation approach. This uncertainty will need to be addressed for viable projects to remain in the queue and continue progressing milestones and investment.</p> <p>Some of this uncertainty could be alleviated by providing more data to customers to help them understand their place in the TEC register and the possibility of early connection dates. In part, this could be improved by increased data visibility, including access to Data that would improve this includes:</p> <ol style="list-style-type: none"> 1) Import and export limitations on substations; 2) Dates and timeframes for reinforcement at substations; 3) Details of the projects in the queue at each substation – number, size, 4) status of the connections (Gate 1 or 2), technology; 		

	5) ESO preference for technologies or services and timeframes in locations.	
3	<p>Do you have any other comments?</p> <p>There are several topics that remain unclear from the existing proposal that could use clarification and consideration.</p> <ol style="list-style-type: none"> 1. Projects will also need to understand the risk of accepting the new planning milestones. To do so, they will need clarity on the following: <ol style="list-style-type: none"> a. If you have an offer with an indicative substation – how do you submit planning in the proposed timeframes? If you are required to submit under an indicative location for the grid and it changes – who bears that cost? b. If you apply for planning with a connection date beyond the expiry date of the expected planning permission, will you be able to accelerate your grid connection before it expires? If so, how? 2. From the existing proposal, it is clear that larger embedded generation with BEGAS/BELLAs and TSO connected generation will be affected by the code modification. Some more clarity would be beneficial on the process for assets <100 MW that are connected to the DNO network. Will they retain a 'gate 2' connection offer, or will they also need to submit evidence? For transparency and consistency for investors, it would be beneficial if DNOs are required to go through a timely and consistent process to accelerate their connections. 3. Gate 2 evidence requires self-declaration of a project's land agreement date. In the future, this will determine the queue position for new applications. However, it is unclear for existing contracted background how the date of the land agreement will affect the queue position. If the land agreement affects your queue position, it is likely that submission of evidence will be required to ensure fair allocation of position. 4. If projects are successful in receiving a Gate 2 connection offer and apply for a MODAP to accelerate their project timelines, when should they expect to hear about the new connection dates? We recommend outlining this and having a consistent timeframe to increase transparency. 	
4	<p>Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?</p>	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section)</p> <p><input checked="" type="checkbox"/> No</p>
	<p>Click or tap here to enter text.</p>	

Specific Workgroup Consultation questions

5	<p>Do you agree with the elements of the proposed solution for CMP435? <i>Please note that the application of these elements may be different to CMP434, therefore please answer the questions in respect to CMP435.</i></p>
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<p>Elements 2,4,6,7,12,15,17 and 18 are not part of the CMP435 Proposal and is only part of the CMP434 Proposal. Element 10 is proposed to be codified within the STC through modification CM095.</p> <p>Please provide rationale for your answer and any suggestions for improvement to each element?</p>	
<p>Element 1: Proposed Authority approved methodologies and ESO guidance (see Page 8-10,29)</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>Click or tap here to enter text.</p>	
<p>Element 3: Clarifying which projects go through the Primary Process (See pages 10-11,29-31)</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>We agree with the inclusion of the mentioned parties to go through the primary process.</p> <p>We would also like further clarification for the process for smaller embedded generators.</p>	
<p>Element 5: Clarifying any Primary Process differences for customer groups (See pages 11-12,32)</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>Click or tap here to enter text.</p>	
<p>Element 8: Longstop Date for Gate 1 Agreements (See pages 12-13, 32-33)</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>Click or tap here to enter text.</p>	
<p>Element 9: Project Designation (See pages 14-15, 33-34)</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>We agree with the proposal to create a concept of project designation and associated methodology for the ESO. However, as this may become the main way for projects to achieve grid connections in a reasonable timeframe, it will be critical that the methodology is scrutinised by Ofgem as well as the public through an industry consultation.</p>	
<p>Element 11: 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 16-21, 34-39)</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>As stated above, we do not believe the Gate 2 criteria (as outlined in 11.1) is appropriate to achieve the required impact on the relevant objectives. This is because we believe there will be significant additional administrative burden for the ESO without significant enough improvements to the queue length, and thus there will not be improvements to connection timelines. Instead, there will be increased uncertainty and costs for generation, reducing viable investment. More stringent criteria or payments would be needed to ensure Gate 2 has the desired effect.</p>	

<p>We agree with the general proposal for ongoing compliance as stated in 11.2 and 11.4 through earlier milestones related to planning. However, it is unclear how planning can be achieved with indicative milestones and grid connections far into the future. This process may also risk hundreds of GW applying for planning permissions at the same time to meet the timeframes, flooding the planners with more work than they can manage.</p> <p>In principle, we also agree with ongoing compliance through land rights agreements in 11.3. However, we believe there should be an appeal process where viable projects can make alterations to the redline boundary for a set of reasonable reasons, such as substation location changing or alternative instances outside of their control changing the appropriate site or cabling location. Instead, it may force developers to retain sites of lower value or reduce connection capacity uneconomically, increasing electricity costs for consumers.</p>	
<p>Element 13: Gate 2 Criteria Evidence Assessment (See pages 22-23, 39-40)</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>We believe the Gate 2 evidence provided is insufficient to achieve the desired impact as stated in our response to question 1 and 2. In order to achieve improvements to connection timelines and net zero, significantly more stringent requirements are necessary. The self-declaration letter of the land rights is a good initial piece of evidence and should be included as evidence along with additional criteria that act as a better filter of projects.</p> <p>We understand the limitation the ESO faces in terms of having to assess a huge amount of evidence in a very short period of time. Therefore, we would propose that any more stringent criteria / evidence is supplemented by an additional fee to apply for Gate 2. This should be sufficient to deter projects that are only speculative.</p>	
<p>Element 14: Gate 2 Offer and Project Site Location Change (See pages 23-24, 40-41)</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Click or tap here to enter text.</p>	
<p>Element 16: Introducing the proposed Connections Network Design Methodology (CNDM) (See pages 24-25, 41-42)</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Click or tap here to enter text.</p>	
<p>Element 19: Contractual changes (See pages 26-28, 43-46)</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Click or tap here to enter text.</p>	
<p>Element 20: Cut Over arrangements (See page 28, 47)</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Click or tap here to enter text.</p>	

6	<p>Are there any elements of the proposed CMP435 solution - as per Q5 - which you believe are not appropriate to include when you consider how to most effectively implement TMO4+ to projects in the existing contracted background (as opposed to the process for new applicants via CMP434)? If yes, please provide supporting justification.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Click or tap here to enter text.</p>		
7	<p>In relation to Q6, are there any features which you believe are missing in the proposed CMP435 solution that would more effectively facilitate implementation of TMO4+ to the existing contracted background. If yes, please provide details and justification.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
8	<p>Do you believe any groups of projects should be exempt from the scope of CMP435 or from some elements of the proposed solution? If so, please advise on which groups and elements and provide rationale to why.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Click or tap here to enter text.</p>		
9	<p>Do you believe that the proposed solution could duly or unduly discriminate against any particular types of projects? If so, do you believe this is justified?</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Click or tap here to enter text.</p>		