

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 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	
Respondent name:	Peter Rumbold	
Company name:	Commonwealth Asset Management (CWAM)	
Email address:	PR@cwamgroup.com	
Phone number:	+1-424-363-0176	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input checked="" type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input 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:

- 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.

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

Standard Workgroup Consultation questions	
1	<p>Do you believe that the Original Proposal better facilitates the Applicable Objectives?</p> <p>Mark the Objectives which you believe the Original solution better facilitates:</p> <p>Original <input checked="" type="checkbox"/>A <input checked="" type="checkbox"/>B <input type="checkbox"/>C <input checked="" type="checkbox"/>D</p> <p>Yes</p> <p>The proposal better facilitates the Code Objectives versus the status quo. However, we consider that the proposal needs to be strengthened to realise the full potential of reforms to cut the queue. In particular, the criteria for Gates 1 and 2 should be made more robust. We set out our thinking in more detail in the answers to questions 5-12 below.</p>
2	<p>Do you support the proposed implementation approach? (see pages 59-61)</p> <p><input checked="" type="checkbox"/>Yes <input type="checkbox"/>No</p> <p>We broadly agree with the implementation approach but do have views on how to ensure these reforms are adopted and enacted as quickly as possible:</p> <ul style="list-style-type: none"> • We believe it is imperative that NGESO and TOs are resourced adequately to implement these critical reforms. The level of resourcing must be sufficient to: <ol style="list-style-type: none"> 1. Ensure all projects self-identifying as meeting the Gate 2 criteria are compliant with the criteria and 2. It must also allow for active queue management to take place so that projects that pass Gate 2 are checked to ensure they are progressing per their requirements. • The guidance published must be very clear on timings and requirements so that there is zero ambiguity and users understand the requirements on them.
3	<p>Do you have any other comments?</p> <p>Click or tap here to enter text.</p>
4	<p>Do you wish to raise a Workgroup</p> <p><input type="checkbox"/>Yes (the request form can be found in the Workgroup Consultation Section) <input type="checkbox"/>No</p>

Consultation Alternative Request for the Workgroup to consider?	
Click or tap here to enter text.	

Specific Workgroup Consultation questions

5	Do you agree with the elements of the proposed solution? Element 7 has been de-scoped and Element 10 is proposed to be codified within the STC through modification CM095 . Please provide rationale for your answer and any suggestions for improvement to each element?
Element 1: Proposed Authority approved methodologies and ESO guidance (see pages 9-10, 55)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
Element 2: 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
We agree broadly with the gated process; however, we have concerns over the annual application window for Gate 1. Projects that gain their letter of authority just after the application window would face an 11-month + wait to enter the process, which we consider to be too long. The annual application window should be more frequent – our preference would be quarterly to allow projects to enter the process when they are ready.	
Element 3: Clarifying which projects go through the Primary Process (see pages 11-12, 35-36)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
Element 4: 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 type="checkbox"/> No
Click or tap here to enter text.	
Element 5: Clarifying any Primary Process differences for customer groups (see pages 13-14, 35-36)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
Element 6: 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	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

<p>window entry requirement for offshore projects (see pages 15-16, 39-40)</p>	
<p>We are concerned that the readiness criteria proposed for both Gate 1 and Gate 2 are not sufficiently robust to efficiently manage the queue to the degree required and will result in viable projects continuing to be given connection dates too far in the future.</p> <p>The bar for Gate 1 – a letter of authority – is very low and, as such, will not act as a meaningful filter for projects. We consider that Gate 1 must be made more robust so as to reduce a bottleneck at Gate 2.</p> <p>We therefore believe that the main Gate 1 criterion should be secured land rights or a binding contract to acquire the land within a period of time – i.e. what is currently proposed for Gate 2.</p> <p>Further, the obligation to apply for planning within a set period of time should also be a criterion at Gate 1. Incorporating these criteria at Gate 1 would also allow the Gate 2 criteria to be more stringent.</p>	
<p>Element 7: Fast Track Disagreement Resolution Process (de scoped from this modification – see pages 16, 58)</p>	<p><input type="checkbox"/>Yes <input type="checkbox"/>No</p>
<p>Click or tap here to enter text.</p>	
<p>Element 8: Longstop Date for Gate 1 Agreements (see pages 16, 40-41)</p>	<p><input type="checkbox"/>Yes <input type="checkbox"/>No</p>
<p>Click or tap here to enter text.</p>	
<p>Element 9: Project Designation (see pages 17-18, 48-49)</p>	<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p>
<p>We agree that NGESO should have the power to accelerate the queue position and connection date of designated projects. However, we believe greater consideration should be given to prioritising strategic demand projects that are critical to driving economic growth and that align with the government’s industrial strategy. We appreciate reforms of this nature may be beyond the scope of this consultation, but as grid connection reform continues, we believe this is an essential requirement to ensure wider infrastructure-enabling reforms work together to accelerate delivery.</p> <p>To this end, the Project Designation Methodology criteria should be revised to include strategic demand projects that align with government growth and industrial strategy objectives. This should cover sectors like data centres, advanced manufacturing and EV infrastructure. These industries are not only crucial for economic growth but also vital to making progress towards the UK’s 2050 net zero target.</p> <p>It is particularly important that the needs of strategic demand projects with significant energy requirements are explicitly recognised in the proposed reforms to the grid connections queue. The government is currently pursuing a host of supply-side measures, e.g. planning reform, to boost investment in critical national infrastructure, which we fully support. If grid connection reform does not work in</p>	

concert with these policy measures to reduce the barriers to investment and infrastructure deployment, it risks undermining the government's growth ambitions.	
<p>Element 10: Connection Point and Capacity Reservation (proposed to not be codified within the CUSC, but is intended to be codified within the STC through modification CM095 – see pages 18-20 and the CM095 Workgroup Consultation, pages 6-10 https://www.nationalgrideso.com/document/322801/download)</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
<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 20-24, 42-46)</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>We welcome the introduction of readiness criteria to determine grid connection queue position. However, we are concerned that the readiness criteria proposed for both Gate 1 and Gate 2 are not sufficiently robust to efficiently manage the queue to the degree required and will result in viable projects continuing to be given connection dates too far in the future.</p> <p>We believe that to achieve the target objectives, the Gate 2 criteria must be secured outline planning permission (i.e. M2 of queue management) rather than a commitment to apply for planning permission (M1 of queue management) within a timeframe. The latter is too low a bar.</p> <p>We believe subsequent queue management milestones should include a deadline for full planning approval and commencement of construction works.</p> <p>We consider that serious projects should be able to prove they have applied for and secured outline planning permission, and this would be a stronger basis on which to prioritise the queue versus the proposal to use secured land rights.</p> <p>We further consider that milestones 6, 7 and 8 of queue management (agreed construction plan, project commitment and project construction) should be assessed as possible Gate 2 criteria.</p> <p>While these are already within the queue management process that will follow Gate 2, incorporating them into Gate 2 itself will set a higher bar and, therefore, weed out more zombie projects.</p> <p><i>Ongoing compliance</i></p> <ul style="list-style-type: none"> We support the use of forward calculation of planning if this results in stronger incentives for projects to move forward. 	
<p>Element 12: Setting out the general arrangements in relation to Gate 2 (see pages 25-26, 47)</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
<p>Element 13: Gate 2 Criteria Evidence Assessment (see pages 26-27, 47-48)</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No

Click or tap here to enter text.	
Element 14: Gate 2 Offer and Project Site Location Change (see pages 28, 46)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
Element 15: 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 type="checkbox"/> No
Click or tap here to enter text.	
Element 16: Introducing the proposed Connections Network Design Methodology (CNDM) (see pages 29, 53-55)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
Element 17: 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)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
Element 18: 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)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
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) <input type="checkbox"/> Yes <input type="checkbox"/> No
Click or tap here to enter text.	
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

Yes, we believe that NGESO should consider implementing financial instruments at Gate 1 in addition to Gate 2 as a further method of weeding out speculative projects.

Separately, User Commitments/ Final Sums, which act in effect as 'cancellation costs', must also be recalibrated to ensure that they do not disproportionately penalise demand projects.

Financial instruments

We welcome the introduction of a longstop date to weed out speculative projects from the queue. However, we encourage further exploration of how financial instruments can be used to remove speculative projects from the connections queue **at an early stage**. Financial instruments will provide a stronger incentive (versus milestone deadlines potentially set for years in the future) for projects to advance quickly or remove themselves from the queue.

Broadly, we consider that financial instruments must be proportionate and set at a level which acts as a strong incentive for projects to progress but not too high so as to be punitive and act as a brake on investment.

Further, we consider that financial instruments could be incremental and increase as projects progress through the process. For instance, there could be a fee for joining the queue and then further instruments at Gate 1, Gate 2 and at queue management milestones. To keep these proportionate, the amount paid during the queue process could be structured as refundable deposits that are refunded to the developer upon reaching certain development milestones, or at the end of the queue process, but which would be forfeited if the project fails to progress as planned. There are various other options for how to structure, levy and refund the financial instruments, for example, discounting the deposits against future charges, that NGESO, Ofgem and industry should explore.

Securities

In relation to User Commitment / Final Sums, we welcome the proposed measures under CMP417, which seek to introduce equitable treatment for all Users, meaning that both demand and generation projects will be subject to User Commitment rather than higher Final Sum costs. We hope that the implementation of these measures can be accelerated to address the large discrepancies that currently exist between User Commitment / Final Sum amounts for demand and generation projects, as the current system is overly punitive towards demand projects.

The CMP417 measures will, however, only be effective if implemented alongside more robust readiness criteria for the Gate processes (as we have proposed above). If not, with significantly reduced securities, the system is likely to see a higher proportion of speculative demand projects in the queue. Finally, the implementation of these measures, which would reduce the overall capital burden of the connection process for demand projects, also offers an opportunity to

	<p>consider new financial instruments at Gate 1 and Gate 2 for all projects (as proposed above).</p> <p>--</p> <p>Currently, despite there being an excess of generation assets in the connections queue, there is no way to transfer generation connections to demand projects. To help remove unviable projects from the queue and to support those ready to go forward, there should be a regulatory mechanism to allow the transfer of generator connections to demand assets in the queue that have reached certain milestones.</p>	
8	<p>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?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
	<p>We support the proposal that projects that are ready to move straight to Gate 2 should be able to do so. We consider this vital to progressing projects that are further advanced and ascribing them a queue position that reflects their readiness.</p>	
9	<p>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?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>Click or tap here to enter text.</p>	
10	<p>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 than they would in their development cycle (with the risk this consent could expire and any extension from the Planning Authority is not automatic).</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>Click or tap here to enter text.</p>	
11	<p>Do you agree that DFTC should be included as part of CMP434? If not, do you believe that the reformed connections process can function</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

	without DFTC? Please justify your answer. (see pages 30-34, 51-53)	
Click or tap here to enter text.		
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
Click or tap here to enter text.		