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# Connections Reform

## Consultation Response Proforma

Your feedback is important to this process. Please take this opportunity to provide any feedback that you may have. To aid your response, each question is linked back to the relevant document for ease of reference.

Please provide your feedback using this Proforma and sending an electronic copy to [box.connectionsreform@nationalenergyso.com](mailto:box.connectionsreform@nationalenergyso.com) by **5pm** on the closing date of **2<sup>nd</sup> December 2024**.

We encourage early submission ahead of the deadline where possible to aid the processing of responses.

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<b>Which category 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 checked="" 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
<b>Is this response confidential?</b>	<input type="checkbox"/> Yes – I do not wish for this response to be shared publicly; however, I understand it will be shared with Ofgem

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☒ No – I am happy for my response to be available publicly

### Section 1 – Policy

You can find the relevant information in the **Great Britain's Connections Reform: Overview Document**

1. Do you agree with our intention to align the connections process to Government's Clean Power 2030 Action Plan?

You can find the relevant information in **Section 2 – Context**

Overall, Energy UK supports the NESO's and the Government's aim to align the connections process to the Clean Power 2030 Action Plan (CP30). There is a pressing need to not only accelerate the pace of network connections in Great Britain (GB), but also to ensure alignment with the Government's ambition to achieve a power system by 2030. This will require a hands-on approach to deciding who can connect and where to ensure that a clean energy system is achieved in short order.

What is now essential is that the Government and the NESO communicate to projects being brought forward or pushed back/out of the queue what the strategic rationale for the decision is. More precisely, the developers must understand how their project fits into the wider strategic context, whether they are seeing their project accelerated or pushed back. This alone will help mitigate much of the uncertainty faced by developers and investors. This would be aided if NESO release details to industry of the final Government CP30 as soon as possible.

Energy UK agrees with the NESO's preference to include a 2035 pathway within the final Government CP30 plan to provide investors with long-term certainty beyond 2030. The key focus here for NESO must be to ensure the momentum of investment is maintained. Understanding the exact shape of that momentum, i.e. the precise nature of the Government's CP30 and Strategic Spatial Energy Plan (SSEP) will be critical to ensuring momentum.

Finally, what will need clarity is how the connections reform process will be harmonised with ongoing reforms to other key policies critical to energy investment decisions. Namely, reforms to Contracts for Difference (CfD) and Capacity Market (CM) contracts. In both cases, projects that have secured these support mechanisms already connecting after 2026 should have their connection dates protected (see our response to question 9). Regarding the CfDs, the current proposed structure of only allowing strategically needed projects to progress past Gate 2 may mean a serious reduction in competition in CfD auctions as all projects which obtain firm connection dates and are able to participate will be needed for CP30. Given this guarantee for the projects in those auctions, it may mean that CfD auctions will either clear at the price cap (Administrative Strike Price), raising bills, or the Government won't secure enough capacity to meet the pathway. As we will discuss in our answer to question 8, this is one of the reasons we support the use of a nuanced attrition rate built into the connection queue instead of NESO's proposed approach of administratively bringing projects forward to replace project fall out of

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the queue. On the CM, there is some emerging concern in the industry that the pathways for CM ascension or exit are not aligned with the Government's emerging decarbonisation objectives or connection reforms.

2. Do you agree with our proposal for overall design 2 (that the reformed connections queue should be limited to and prioritised to only include ready projects that align with Government's Clean Power 2030 Action Plan, NESO Designated Projects, and directly connected demand projects outside the scope of Government Clean Power 2030 Action Plan)?

You can find the relevant information in **Section 5 – Our overall preferred connections reform design**

Energy UK understands NESO's preference for Design 2 over Design 3, in that it would aid in ensuring long-term investment certainty, and that the post-2030 iteration of the SSEP is not undermined by those projects at the back of the queue being misaligned with the direction of travel. Design 2 aligns with NESO's suggestion to create a 2035 pathway within the Government's final CP30 plan. Given the long lead times for connections and the need for clear investment signals that extend beyond 2030, design 2 is the most appropriate design choice.

However, a key consideration in the approach is maintaining the investment appetite for those at the 'back' of the connection queue, especially those projects that get their project dates pushed back. Ensuring investment momentum to and beyond 2035 means maintaining interest to remain in or join the back of the queue even if connection dates are over a decade away.

NESO therefore needs to be clear about a question that has been absent until this point; when to stop planning. Energy UK agrees with the need to align connections reform to strategic planning, and the need for these plans to flow into future spatial energy plans to ensure decarbonisation of the power system at pace and encourage the investment needed to achieve this. Once CP30 and the SSEP begin to take shape, and the pathway to preparing the system for decarbonisation is clearer, NESO must consider if strategic system planning is the best enduring solution for the network into the 2040s and beyond, or if, by that point, a larger role for market-led planning is appropriate. If this latter conclusion is reached, consideration of design option 3 may be worth revisiting.

Nonetheless, for now, for the sake of the momentum the sector currently needs, Energy UK agrees that design option 2 is the most appropriate option. When work on connection reform has settled down somewhat and investor certainty appears healthy, these questions can be revisited.

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3. Do you think all 'ready' projects should be included in the reformed connections queue (overall design 3)? If so, how would you propose that we mitigate risks to consumers or developers of material misalignment to the SSEP?

You can find the relevant information in **Section 6 – Assessment of alternative design for connections reform**

While the state of the connections queue requires ambitious and radical change, the approach must continue to give certainty to all projects in the queue, whether through including all 'ready' projects in the approach, or by another method.

As stated in response to question 2, NESO should consider how to maintain the investment interest of projects moved to the back of the queue with newly issued connection dates in the mid and late 2030s. This is essential to ensuring the success of the future SSEP, establishing a clear supply of needed projects in the queue to meet the regional technology buckets.

Design model 3 should be considered again at a later date when there is greater clarity regarding the SSEP and in the context that comprehensive strategic planning of the power system may be less critical in future. Once this point in time is established, one method of executing design model 3 would be for projects that meet the readiness criteria but are not deemed strategically necessary to receive a Gate 2 indicative offer after that date with no option to advance their connection before that date unless they are filling an undersupply within a region. This should go some way to limiting the risk of legal challenges in addition to whatever legislative action the Government intend to take in 2025 to enable the alignment of connections reform with strategic planning.

4. Do you agree that the reformed connections queue should initially focus on the 2035 time horizon?

You can find the relevant information in **Section 4 – Key building blocks for aligning connections to strategic energy plans**

To ensure long-term investment certainty for developers and maintain momentum in the industry, Energy UK agrees with the intention to focus on the 2035 time horizon for connections reform.

## Implementation Questions

You can find the relevant information in the **Great Britain's Connections Reform: Overview Document**

5. Do NESO's preferred options against each of the variables discussed in the Overview Document best deliver efficient alignment to Government CP30 Plan?

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You can find the relevant information in **Section 5 – Our overall preferred connections reform design** and **Section 7 – Further variables and options to align connections reform with strategic energy planning**

Energy UK agrees with NESO's preferred options against the identified variables, with some caveats that NESO will need to address in the future.

Demand projects not directly relevant to CP30 should be exempt from the ongoing reforms. Nonetheless, there will be a need to, in a more concerted manner, accelerate the connection timelines of directly connected demand projects to meet the Government's economic objectives. To achieve this, it is insufficient to simply accelerate projects on the supply side and assume that whatever consequence this has for demand projects' connection timelines will encourage needed investment in GB's key business sectors. There is a clear need to align connection times for directly connected demand with economic policy initiatives like the Industrial Strategy or national housebuilding targets. Such reform must be harmonised with ongoing connection reform focussed on generation and storage projects.

The proposed approach to managing oversupply or undersupply of technology mixes in a given location should instead be based on a nuanced attrition rate by technology by region, perhaps based on the one proposed in our answer to question 8. The current approach based on bringing projects forward or 'substituting' them between neighbouring zones will not be feasible in light of the business plans of developers and network operators as well as constraints like supply chains and the conditions of support mechanisms like CfD or CM contracts.

A flexible approach must be taken in the future if there is an undersupply of a given technology in one region and an oversupply in another, with anticipated limited investor interest in substituting from one region to another. For example, NESO has identified a need for some transmission-connected solar projects by 2030. However, these are in areas such as South Scotland and Southwest England, where very few projects are proposed due to low irradiation in the case of Scotland or a lack of suitable land in the case of Southwest England. This raises serious questions about the locational capabilities of NESO's model and suggests that the Government should adopt a flexible approach than the NESO advice regarding where projects locate.

Ultimately, the market will have the best measure of where technologies should be deployed to be most effective, not NESO. Indeed, discussions with network operators have indicated that addressing over and undersupply through substituting between regions will likely prove unfeasible, as such a substitution would need to align with both the entire business plan of project developers and the network plans for network operators. As long as the GB-wide technology mixes to achieve CP30 are delivered, NESO must be careful to not be beholden to its allocated regional technology buckets should it appear one particular bucket is unlikely to be filled due to unfeasibility or lack of investor interest.

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It is worth noting here the comment by NESO in CDNM 5.4.4: *"The MW capacity needed of each technology type to align to these pathways will be outlined for each zone of the network. It is possible that some technologies, e.g. offshore projects, may have fewer zones, or perhaps even only a single GB wide zone, but this will be for Government to determine."*

The regionalisation or otherwise of the offshore capacity bucket should align with the joint approach under development by NESO and The Crown Estate/Crown Estate Scotland to align the connections process and the leasing round process, as well ensuring the CP30 GB-wide undersupply is addressed.

Energy UK generally agrees that the approach should focus on replacing like-for-like technologies as closely as possible though, as detailed in our response to question 8, doing so by bring the connection dates of other projects forward may prove unrealistic. There remains a question of how the Government finally envisions its version of CP30. However, NESO must recognise that some technologies are not readily replaceable, at least not by a single technology. NESO, therefore, needs to consider provisions or flexible workarounds for technologies that drop out of the queue that are not immediately replaceable.

A range of appropriate measures are available to both NESO and Ofgem to optimise the use of the network. Flexibility via market mechanisms and wider price signals should be prioritised, enabling energy storage and demand side response to deliver on the potential they hold for reducing system operation costs. Wider options should also be explored and applied where appropriate, including, enabling the sharing and reallocation of substation bays, optimising the use of innovative technologies to maximise use of existing assets, improving access to data on substation and local network capacity to ensure all spare capacity is being used, reviewing voltage levels in distribution networks, and improving the interface of the transmission and distribution system.

Energy UK also agrees with the NESO's preference to not retrospectively reorder the connection queue for CP30 or the 2030-2035 pathway as a result of the SSEP, should design 2 be chosen. As mentioned above, the NESO must consider those at the 'back' of the connection queue post-2035, how to maintain investment interest from those developers, and how the SSEP, CSNP, and broader approach to system development will evolve over time.

Energy UK agrees with the NESO's proposed intention to create dedicated CP30 zones and for connection reform to apply to transmission and distribution projects in the scope of TMO4+, as well as with the proposal to use alignment with the CP30 pathway and planning status to order the connection queue.

Further clarity is still needed on the exact definition of 'strategic alignment' and how these projects will relate to regional technology buckets. Further clarity is also required on how these technology buckets are being determined, if they are informed by the current queue in any way and how are different technologies assumed to complement each other Understanding

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this will be important in delivering investor and developer confidence, and in improving the understanding of the potential unintended consequences of the approach.

### 6. Do the methodologies deliver our preferred options against each of the variables?

You can find the relevant information in **Section 3 – Overview of framework of codes and methodologies for connections reform**

The three connections methodologies do deliver NESO's intended outcomes from the preferred option in each variable.

The use of two application windows for the reformed connection process every year is welcome and appropriate. This should ensure sufficient investment flexibility for developers, though caution is needed to ensure they meet the intended objectives.

Regarding the CNDM, while the preference to use planning permission status as an additional measure to order the connection queue is appropriate, more clarity is needed on what this means for distribution-connected projects. Communication of these details from the Distribution Network Operators (DNOs) and the NESO has been poor to date.

Maintaining sufficient interest in joining or remaining in the connections queue, even if the connection date is beyond 2035, is essential to allowing the NESO to manage the undersupply of certain technologies within regions. Moving connection dates forward, as with moving connection dates backwards, is likely to prove an unfeasible method of managing oversupply and undersupply. This is because of the implied impact moving connection dates could have on emerging of secured CfD or CM contract arrangements for developers as well as supply chain plans or agreements developers have. Indeed, it is essential that ongoing connection reforms do not jeopardise CfD and CM contract arrangements through shift connection dates to an unrealistic delivery time, especially in light of ongoing reforms to both support mechanisms. Instead, it makes sense for NESO to take nuanced approach to allowing an uplift to each technology in each zone to account for attrition. The attrition rate should build on existing research NESO has done regarding project attrition and the level of progression of needed technologies in a given bucket.

Further clarity is required on how the zonal sub-queues, once established, are represented and merged into a GB-wide queue. While the CNDM does go a long way to clarifying this, stating that the GB-wide queue will be based on the relative date projects achieved Gate 2, cross-zonal interdependencies and the implications for the re-merged GB-wide queue need clarification. A lack of clarity on the actual scale of the queue cannot be an outcome of this work, and a GB-wide understanding of the queue, the average length of a connection process, and wider metrics to measure the whole market experience must be considered as part of the approach to measuring success.



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Energy UK appreciates the need to use Project Designation to ensure the timely connection of projects essential to system security, substantially reducing constraints, project with long lead times, or are innovative projects that can help meet decarbonisation goals. The NESO must ensure that this process for using Project Designation is fair, transparent, and competitive to limit distortions to the market and attract these projects to the UK.

Further clarity is needed on what NESO means when referring to innovative projects. This is required to ensure that the use cases for Project Designation are correctly targeted and justified. While NESO may intend to use Project Designation sparingly, delivering the preferred options NESO wishes to proceed with means ensuring investors understand why a designated project is in front of them in the queue or why their arguably innovative project is not being pulled forward while others are. Clear guardrails are therefore needed for the Project Designation pathway.

7. Are there key policy areas that are not covered by our preferred options against each of the variables or that would not be delivered by the methodologies?

You can find the relevant information in **Section 5 – Our overall preferred connections reform design** and **Section 7 – Further variables and options to align connections reform with strategic energy planning**

One key area that could be covered better is dealing with projects that lose out in connections reform. Specifically, how to maintain the investment interest of projects that are moved to or join the back of the queue and, separately, how to mitigate the very real chance of legal challenge from those that are kicked out or drop out of the queue. The issue of mitigating the impact of legal challenges is critical to the success of connections reform. If the Government intends to legislate to mitigate against legal challenges, there remains concern that this may only prevent some legal challenges. This would be due to limitations on discriminatory network access under Article 306 of the Trade and Cooperation Agreement (TCA) with the EU and wider international investment law. It may be necessary for the NESO to consider other mitigation options, such as a financial claim mechanism for those projects that joined the connection queue in good faith but were removed or pushed back in the reform process.

Energy UK recognises the rationale for connections reform work to date focussing on decarbonising power supply. However, more consideration is needed to ensure the acceleration of large demand connections to achieve the UK's other policy objectives linked to economic growth, housebuilding, and developing robust low-carbon tech supply chains. A similar strategic approach to demand connections which coordinates efforts with wider policy priorities and long-term demand change expectations should be progressed.



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8. Do you agree with our approach to managing project attrition between 2025–2030, and 2031–2035, whilst ensuring that the SSEP can deliver maximum benefits to GB consumers?

You can find the relevant information at **Section 7 – Further variables and options to align connections reform with strategic energy planning**

Energy UK disagrees that progressing like-for-like projects is a feasible option for managing gaps in the queue that emerge from projects dropping out. Firstly, bringing projects' connection dates forward may seriously undermine the business plans of those in the connection queue, such as the plans regarding which CfD auction they were intending to bid into. Obtaining a CfD contract is a multi-year process and having one's connection date forward can seriously undermine such processes. At a time when connection dates are already being moved around and business plans are subsequently having to change, this may add further uncertainty to the market.

There are also issues regarding supply chains for projects. Business plans will have already had particular timelines for securing equipment in mind and contracts with manufacturers, along with agreed timelines, may have already been agreed by the developer.

Furthermore, some technologies are not easily replaceable, at least not by a single technology. The NESO therefore needs to seriously consider provisions or flexible workarounds for technologies that drop out of the queue and are not immediately replaceable.

As noted in our response to question 1, managing attrition through simply administratively bringing projects forward may also have implications for competition in CfD and CM auctions. Some projects are significantly more expensive than others. For example, a project could have an expensive grid connection, low production (i.e. wind speed or irradiation), or limited technology choices due to a constrained planning envelope. Under the current grid rules, there are more projects than would be needed to deliver in any particular year. This means that projects must compete in CfD auctions, with more expensive projects not receiving contracts and never being built. Competition such as this helps reduce customer bills. NESO's CP30 Advice and draft CNDM appear to imply that this type of competition would no longer apply, which risks raising energy bills at a time when they are already likely to increase markedly.

Not all projects that pass Gate 2 will be built. Projects will fail for reasons including poor economics, failure to secure planning permission, failure to negotiate land rights with owners of "ransom strips", or grid cost increases or delays. NESO's proposals to bring projects forward to plug gaps that emerge from attrition rely on developers provided with later connection dates continuing to develop their projects at pace, such that they can be delivered earlier if called upon later. We believe that this is an unrealistic assumption, especially as the proposed mechanic for capacity reallocation is novel, complicated, and includes elements of NESO discretion.

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Energy UK believes the best alternative for this would be to build into the regional technology buckets an uplift to allow for attrition. We understand NESO's concern that doing this risks connections misaligning with the CP30 plan and the SSEP if less projects than expected drop out of the connection queue. However, a more nuanced approach than the proposed 10%-20% attrition rate in the consultation. To begin with, NESO has previously done extensive work on how to apply attrition assumptions in network modelling, and this approach can continue to be applied. Secondly, NESO could apply an uplift for each technology type allocated to each zone based on the level of advancement from projects already in the queue. Projects at an earlier stage of development are more likely to fail than those at an earlier stage of development. We therefore suggest applying different attrition rates for projects at different stages of development – for example:

- Connected = 0%
- Consented = 10%
- Submitted planning = 20%
- Land rights only = 33%

A nuanced approach to attrition that does not relying on shifting connection dates is essential to maintaining the confidence of needed projects trying to connect rather than shifting their dates further into the future.

## Connections Network Design Methodology

You can find the relevant information in the **Connections Network Design Methodology – Detailed Document**

9. Do you agree with the approach to applying the Gate 2 Readiness Criteria and the Gate 2 Strategic Alignment Criteria to the existing queue and future Gate 2 Tranches?

Energy UK agrees with the use of readiness and strategic alignment criteria for the Gate 2 queue and that using planning progression to determine the order of the Gate 2 queue is appropriate.

While this CNDM document and the other methodology documents expand on details regarding how projects in the queue are treated concerning 'strategic alignment', there remains little clarity on what 'strategic alignment' means in the context of a developer trying to connect. Detailed and nuanced clarity is essential to maintaining investment confidence across the queue and ensuring the UK continues to attract international investment.

Clarification is also needed regarding why the full capacity of a project applying to the CP30 pathway, if that project is above 'needed' regional capacity, would be considered 'strategically aligned', but not so for projects applying into the 2031-2035 pathway. While this decision comes from the desire to assess the best options for 2031-2035 projects once the SSEP is produced, we think it appropriate that NESO avoid being overly prescriptive about projects connecting from 2031-2035 if their capacity meets a technology need but is a little over (say 5-10 MW) the

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capacity envisioned for a zone in the 2031–2035 pathway. There must be flexibility in the approach to enable the market to continue to create the right solutions before the needed technology mix for 2031–2035 is more firmly established under the SSEP.

Further clarity on how the queue ordering exercise will impact distributed and embedded generation is needed. Members have reported mixed or unclear information when asking how the zonal sub-queue management process managed by DNOs would work. Nor is it clear how the sub-queues at the distribution level would be determined or interact with sub-queues connected to transmission, or how NESO would treat sub-queues when recombining them to form a GB-wide queue.

To ensure the effectiveness of connections reform, clarity on the treatment of the CNDM at the distribution level is needed. Whatever the approach, the NESO must retain a level playing field and avoid distortions in the market between those connecting at the transmission and distribution. Serious consideration needs to be given to the burden placed on connecting customers and DNOs to gather and submit information, given the limited resources available and long timescales involved in their interaction.

Demand connections must be assessed to accelerate the connection times in order to meet the Government’s economic objectives. To achieve this, it is insufficient to accelerate power supply projects and assume that consequences for demand projects’ connection times will encourage needed investment in key business sectors. There is a need to align connection times for directly connected demand with wider policy and decarbonisation trends. Such reform must be harmonised with ongoing connection reforms, focussed on generation and storage projects.

Concerning the treatment of hybrid projects, we appreciate the intention to treat these projects based on how the project intends to interact with the system. However, a far more detailed approach than the one laid out is needed to account for the myriad of highly heterogeneous manners in which hybrid projects might be configured and operate. All projects meeting the outlined strategic need should be treated equally, especially if they can save on network reinforcement costs by nature of being a hybrid project.

The proposed approach to the treatment of transitional projects in line with readiness criteria and strategic alignment is welcome. Given that these projects applied after the 2<sup>nd</sup> of September 2024, it is fair to place those projects that meet these criteria further back in the queue than those projects that applied before. The exemption to this should of course be designated projects which, as noted above, be brought forward in a more prescriptive manner if they are essential to the system’s needs.

Explicit clarity is also required on CNDM section 5.5.5 with regards to projects that under construction or due to go under construction in the next year, including some large-scale projects that will not be commissioned until after the end of 2026. Projects under construction

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should not be affected by this reform and the commissioning date should not be used as a measure in this regard. A project under construction is already subject to sufficient milestones to meet efficient commissioning and energisation.

Indeed, members have argued that the safeguarding solely of projects with connection dates of 2026 or earlier is insufficient and inappropriate. For onshore renewables especially (onshore wind and solar energy), there is material uncertainty of their dates being pushed back beyond 2030. Even NESO's own Impact Assessment indicates that the pre-2030 impact of proposed connection reforms would potentially lead to an undersupply of solar energy compared to the CP30 pathways and onshore wind compared to the previous guidance developers would have been working under from the Future Energy Scenarios (FESs) (pages 15 and 34). Analysis from one member shows that circa 20 GW of onshore wind and solar projects already have planning permission (7 GW onshore wind; 13 GW solar), and a further 12 GW have been submitted into planning (6 GW onshore wind; 6 GW solar). Most of these projects are meeting milestones and could deliver by 2030, making a huge contribution to the CP30 Mission.

Worryingly, most of the 2.7 GW of solar projects that have been awarded a Development Consent Order (DCO), meeting around 7% of the identified need for additional solar by 2030 (~35 GW), would likely be delayed to post-2030 under the current advice from NESO. We see no electricity system logic for this, and it also contradicts the Government's strong support for the large-scale solar sector – especially when many of these projects were recently granted DCOs by Secretary of State Ed Miliband. Unintended consequences such as this would harm investor confidence in the UK's energy sector.

We understand that NESO's overriding concern is the massive oversubscription of storage projects on the queue and therefore, NESO is reluctant to propose protecting projects with connection dates of 2027 or later. We understand NESO's concern over storage projects. However, this is no reason to plunge up to 20 GW of renewables projects, that should form part of the CP30 plan, into uncertainty. NESO must therefore beware providing a blanket approach to managing the connections queue when the primary issue is oversubscribed storage projects.

Given the possibility of legal challenges and investment uncertainty, and even misalignments with CP30 objectives, NESO must consider protecting grid connection dates all existing renewables projects, but, crucially, not storage projects, as long as they have existing connection dates in 2030 or earlier and have already secured planning permission. The alternative for this would be to find a way to mitigate the risk of investment uncertainty and legal challenge that existing recommendations would cause.

We further think that it is appropriate that projects that are either are in construction or hold an economic support of some form (CfD, CM, etc) be excluded from the proposals. It feels like a bare minimum ask of any reform that it does not impact literally in-construction projects not yet connected. The end-2026 protection would impact projects on-the-go today. This would

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be objectively a perverse outcome. This protection is important to prevent any investment hiatus through 2025 which would make reaching 2030 harder, and also safeguards the integrity of previous CfD and CM allocation rounds. Given the scale of the buildout needed to 2030/35, we think there is a very small risk of material misalignment with the final plan from protecting these projects.

### 10. Do you agree with the approach to managing advancement requests?

Overall, Energy UK agrees with the proposed approach to advancement requests. However, some key features need consideration.

NESO made clear in the CNDM document that projects with connection dates in 2031–2035 can request advancement to connect before 2030 but, for the sake of strategic alignment, they will continue to be considered part of the 2031–2035 pathway and join the back of the pre-2030 connection queue. NESO should clarify whether or not this means that there is no route at all for projects with connection dates after 2030 to justify connecting before 2030 as part of the 2030 pathway.

NESO should similarly clarify if this is the case for projects with connection dates after 2035 seeking advancement to a connection in 2031–2035.

Another consideration regarding advancement is the implications for projects' participation in CfD and CM auctions in line with CP30 objectives. For example, some members have indicated that the definition of a 'connection agreement' may need revising in the standard CfD contract.

The NESO will need to be proactive to ensure the investment confidence of projects that might need to be brought forward to fill the undersupply of technologies in zonal sub-queues. The first step would be assessing which projects may need to be brought forward later and assessing which projects in the CP30 and 2031–2035 pathways are most likely to drop out of the queue. Key projects that may need to be accelerated can then be identified. Lastly, a key lever to enabling confidence will be creating a route for developers in the 2031–2035 pathway or post-2035 pathway to make their case to NESO to request advancement to the 2030 pathway or 2031–2025 pathways respectively and not simply join the back of the queue. This alone would give investors more agency and confidence in the transition process and more flexibility to the NESO in how to achieve the CP30 objectives.

### 11. Do you agree with the approach to reserving Connection Points and Capacity at Gate 1?

Energy UK agrees with the use of this measure for the reasons outlined in the CNDM document. Capacity should not be reserved for the 2035 pathway to manage undersupply until the SSEP is produced and further clarity about what energy mixes are needed at that time is established.

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The NESO must be ready to take a flexible approach to reserving capacity where there is an undersupply of a certain technology applying in a zone but no interest from the market in filling that gap. In these cases, the NESO must take a flexible approach to the technology mixes needed in each region, so long as the objective of a clean power system for all GB by 2030 is met. It is important that NESO and the Government are not overly beholden to the zonal technology buckets when allocating connection dates if the market shows little interest in what is proposed for an area.

More clarity is needed on the conditions under which DNOs could suggest projects to receive reserved capacity. It is important to clarify these conditions to ensure a level playing field in the sector, as it is important to ensure capacity reservation is only used when needed.

There should be clearer provisions in the CNDM to ensure that the project that has capacity reserved for it is the project that best meets the needs of that capacity reservation and makes the most effective use of the existing network to limit reinforcement costs.

### 12. Do you agree with the approaches to reallocating capacity when 2030 pathway projects and 2035 pathway projects exit the queue?

Energy UK does agree with the use of inviting applications to for projects to connect to a zone to manage undersupply.

However, we do not agree with bringing project connection dates forward to manage undersupply. When considering bringing projects forward to manage the undersupply of technology in a zone, the implications for securing needed supply chain components and various Government support mechanisms like CfDs and CM contracts would need serious consideration. Furthermore, having the connection date brought forward to accelerate project timelines may be impeded by the sudden accelerated need to secure equipment and workforce, potentially when timings on supply contracts have already been agreed with manufacturers. Interest in bringing project dates forward may also be impeded if it undermines a project's bid into a particular CfD or CM auction.

More clarity is needed on how NESO would protect the existing agreements of other projects in the queue if network reinforcements are needed to bring a project forward. This is particularly important in instances where this action would impact other projects' connection dates.

As stated before, Energy UK believes that it is more feasible to use a targeted attrition rate for technologies applying to each zone. This would need to be based on existing research by NESO on project attrition and the level of development of key technologies in each regional technology bucket given that more immature projects are more likely to drop out of the queue due to the higher project risk at the start of development. For example, the attrition rate for each stage could be:

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- Connected = 0%
- Consented = 10%
- Submitted planning = 20%
- Land rights only = 33%

A benefit of allowing such an uplift in each technology bucket would be maintaining competition at CfD and CM auctions. This is essential to keeping consumer bills down at a time when they are at serious risk of increasing. Progressing projects in each bucket in the manner currently proposed would risk CfD strike prices clearing at their administrative cap or, worse, the Government failing to attract sufficient interest in the auctions to meet its decarbonisation objectives and obligations.

Furthermore, concerns remain regarding the feasibility of using zonal 'substitution' to reallocate capacity from an oversubscribed technology in one zone to an undersubscribed one in a neighbouring zone. TOs or DNOs would likely need to make significant changes to the network buildout and management plans in one zone to allow zonal substitution. This process can take years and undermine the speed and momentum that connection reform requires. Delays that would undermine the momentum of connections would be compounded by the need for a developer to restart the process of obtaining land rights, potentially having to restart Gate 2 processes. Developers often spend years purposefully choosing an area for their project, so may have no interest in moving to an entirely different zone and risking their business case.

## Gate 2 Criteria Methodology

You can find the relevant information in the [\*\*Gate 2 Criteria Methodology- Detailed Document\*\*](#)

13. Do you agree with the following elements of this Gate 2 Criteria Methodology?
  - a. Gate 2 Readiness Criteria – Land (Chapter 4)
  - b. Gate 2 Readiness Criteria – Planning (Chapter 5)
  - c. Gate 2 Criteria Evidence assessment (Chapter 8)
  - d. Self-Declaration Templates (Chapter 9)

*Please insert your answer here for a).*

The proposed Gate 2 criteria for land rights have a large degree of flexibility to account for differing kinds of projects and routes to connection. Land rights remain a sensible method to display readiness to connect.

Serious consideration needs to be given to the resource implications for networks and planning bodies given the limited resources and long timescales involved in current processes.



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Some members question whether, in the long run, land rights should be the primary determining factor in managing the connection queue. The capital to obtain land rights is non-refundable and could become costly due to the scarcity rents landowners can charge knowing developers require land rights to progress their project.

Should a refundable financial instrument be used for queue management in the future, land rights may no longer be an appropriate instrument.

*Please insert your answer here for b).*

Energy UK agrees with the NESO proposal for the use of planning consent rights, including a DCO, as an alternative route for meeting Gate 2 requirements.

The NESO should consider the wider context of planning legislation progressing through parliament and ongoing reforms to the planning regimes in Scotland and Wales. The NESO must ensure that planning requirements are harmonised appropriately to the outcome of those revisions.

*Please insert your answer here for c).*

Energy UK agrees with NESO's approach to evidence assessment of Gate 2 criteria.

The NESO must also address the issue of resourcing and transparency for DNOs when carrying out and communicating assessments between the NESO and the connecting parties. To date, members with projects connecting at the distribution level have noted a serious lack of communication and transparency from DNOs on the progress of their land and planning assessments, with DNOs acting slowly when progressing assessments.

*Please insert your answer here for d).*

The self-declaration templates appear clear and appropriate in Energy UK's view.

14. Do you agree that the alternative route of meeting the Gate 2 Readiness Criteria should be only limited to projects that seek planning consent through the Development Consent Order route?

Given the current approach to the use of land rights and planning as a measure of readiness, Energy UK agrees that the DCO is appropriate as a sole alternative route to meeting Gate 2 criteria.

## Project Designation Methodology

You can find the relevant information in the [\*\*Project Designation Methodology – Detailed Document\*\*](#)

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15. Do you agree that the categories of projects that we have identified are the appropriate ones to potentially be designated?

Overall, Energy UK does believe the categories presented by NESO for when Project Designation might be used are appropriate.

There remains a need for further clarity on what qualifies as a project that 'materially' reduces the need for constraint management. Similarly, clarity is needed on what innovative 'novel-sub types' of technologies infers. A more solid definition is needed for projects that could be designated under this definition but are outside the scope of technologies referred to in CP30. These existing definitions appear open-ended and could lead to various projects seeking designation and pushing back the connection time of non-designated projects with little order or standardisation of approach.

The NESO's indicated desire to use Project Designation sparingly is welcome but additional and definitive provisions are required to ensure a level playing field with other developers and to ensure the mechanism is not used excessively.

16. Do you agree with the proposed criteria for assessing Designated Projects?

Energy UK agrees with the assessment criteria presented by NESO.

More definition is needed on the criteria a project would have to meet to be designated on the grounds of constraint reduction, being a technology initially outside of CP30 that provided significant consumer benefits, or being an innovative technology expected to benefit consumers. This clarification is necessary to ensure a level playing field with queue management and to avoid overuse of Project Designation by NESO.

17. Do you agree with the indicative process NESO will follow for designating projects?

Overall, the process as indicated by NESO appears appropriate.

Additional clarity on the indicated appeals process for a project being designated, and how such an appeal might work or be treated, is required.

## Additional Questions

18. Do you have any other comments (including whether there was anything else you were expecting to be covered in these documents)?

Energy UK would like to take this opportunity to express its gratitude for all the work NESO has put into developing the Connections Methodologies. While there are concerns about some of

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what has been proposed, the proposals are comprehensive and have clearly had a lot of thought put into them.

Energy UK only has two final comments that may require NESO's attention:

1. There appears to be a contradiction in the CNDM regarding the queue position of designated projects between what is stated on pages 31 and 57. On page 31, the document states that designated projects will keep their queue position if they already have a connection date before 2030. However, page 57 indicates that, when ordering the Gate 2 queue, designated projects would be brought to the front of the queue for the relevant phase they are assigned to, including the 2030 pathway. This apparent contradiction requires clarification as it has implications for queue positions and connection times.
2. One paragraph of the CNDM document (5.24.5) indicates that transmission operators will have more power to redesign the point of connection than previously. Clarification from the NESO on what this means and what implications it might have for connection agreements and the routing design process would be welcome.