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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** by **5pm** on the closing date of **2nd December 2024**.

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

Respondent Details	
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Which category best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input checked="" 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
Is this response confidential?	<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**

We acknowledge NESO's need to ensure system operability and security of supply and hence understand the intention behind the connections process to support a pathway to CP2030, however the changes will come as a detriment to many companies who have invested heavily into new projects over the last few years and continue to demonstrate commitment to project progression. Overall, the target capacities for solar and BESS appear fairly conservative from our perspective and believe these could be pushed further to ensure security of supply.

In parallel, the nature and significance of the proposed reforms in line with CP2030 is already creating a low of uncertainty in the market. The lack of clarity both now, and over the next c.12 months where developers will not know the fate of their projects could have a detrimental impact of the ability of companies to secure financing and investment decisions.

As a general perspective, our view is that the queue should have been controlled much earlier and subsequent connection offers that have been issued that can no longer be honoured to align with CP2030 could form the basis of a legal challenge to NESO. NESO and the government need to therefore ensure developers are fairly compensated if they have made financial commitments on their grid connections, have demonstrated project progress, but have not met the necessary "strategic criteria" to obtain a Gate 2 grid contract.

As an absolute minimum, this should include reimbursement of any grid stage payments or grid securities paid to date for a given project, the timing of which should be made clear by Q1 2025. In addition, there is general uncertainty over grid securities (both from a developer and DNO/NESO perspective) particularly where the next set of securities for projects will become payable in Feb-25. Our view is that these should not be payable unless a project is "exempt" from the Gate 2 reforms, and this needs to be communicated very clearly by January 2025.

We agree that the plan needs to include projects beyond 2030, and up to 2035 is a reasonable timeframe. However further clarity is needed within the SSEP in 2026 as to whether demand for technologies in certain locations is required beyond 2035 to again, provide investor confidence.

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A significant concern of ours is that although this initial 10-year horizon will bring some long-term investment clarity, the mechanism and timings for relative CfD and capacity market auctions in parallel to the grid reforms is not clear. How can projects enter into these auctions (or prequalify for CfDs) using their current connection offers in the knowledge those offers are likely to change? This has not been addressed despite NESO suggesting in the CP2030 the significance of future CfD allocation rounds. In parallel, we believe where projects have existing CM and CfD contracts, they should be safeguarded (i.e. guaranteed a connection offer in line with the CM/CfD dates which is no worse in terms of cost or constraints than their current offers).

We agree it is important to ensure the new SSEP will not retrospectively adjust the ordering of the queue.

We have concerns over how NESO intend to achieve the distribution connected capacity they are seeking (although not in disagreement with it overall). Particularly where current grid costs are a barrier in certain regions for smaller projects. It is therefore questionable whether NESO should try to allocate any capital contribution costs more fairly to entice new entrants in the areas where demand is greater than what is available in the current queue.

We also need absolute clarity on whether DNO connected projects that have not triggered Mod App transmission reinforcements are exempt from the grid reforms. In conjunction with this, NESO need to provide accurate definitions around the exemptions regarding projects “in construction” that are energising pre-2026. An example of such a definition could be, “the project has successfully triggered the planning permission”, such evidence to include photos of the site. Alternatively, we feel that “reaching FID” could still be appropriate rather than “in construction”.

As a final point, there is a significant and ambitious level of deployment required to meet CP2030 as outlined by NESO. This includes a significant level of investment in reinforcement works to our networks. We have significant concerns on the availability of resource and the ability of supply chains to deliver such an ambitious target which could in turn increase lead times, increase prices, and risk overall deployment of projects. NESO need to be mindful that the proposed grid reforms provide for flexibility where such delays and scenarios may occur.

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)?

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

We agree in terms of the queue being ordered in respect of “readiness” and with respect to aligning to CP2030 to ensure security of supply and system operability, providing (as mentioned in response to Q1), developers who have been previously granted a connection offer and progressed projects on that basis are fairly compensated.

We believe that the way in which CP2030 is aligned, means that projects with earlier connection dates should have slightly more security in their projects not moving out of the queue (although delays and changes to their offers are still possible) because these projects are likely to be the most advanced. The exception is in the case of projects where the queues far outweigh the demand, such as some transmission connected solar projects. In this case, heavy investment may have been made, and yet CP2030 determines transmission connected solar is not needed comparatively to distribution connected solar. This is likely to create investment uncertainty, but equally our view is that the market for transmission connected solar projects has escalated exponentially and does require some control mechanisms.

Consideration also to be given to aspects beyond a developer’s control (i.e. planning appeals) in how NESO determine whether a project is meeting milestones or not. Currently there is some leniency in milestone delays for aspects outside of a developer’s control, and we believe this should remain the case going forward.

Developers are desperately in need of clarity particularly in respect of exemptions. It is not yet clear what the definitions of “in construction” means, nor is it clear if distribution connected projects that have not triggered reinforcement works are exempt.

Perhaps one of our strongest views is that queue position dates for distribution connected projects should not be taken from NESO countersignature of the project progression. In some cases, through no fault of a developer, project progression outcomes have taken over 2 years from the date the original DNO offer was accepted. It is therefore grossly unfair to use this date for distribution connected projects, in comparison to using the grid offer acceptance dates at transmission level.

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**

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We understand why NESO may not be able to include all “ready” projects in the queue in light of system operability and security of supply, and practically we believe that consented projects should achieve a Gate 2 grid contract. The difficulty will be for those projects who can demonstrated the readiness criteria through DCO planning applications which demonstrates investment commitment, but not all will align with the current strategic plan within CP2030.

Where this is the case, compensation should be paid to a developer which we believe could be paid via fees that NESO may have gained through termination proceeds from other developers (i.e. cancellation charges). Such compensation as a bare minimum should include grid stage payments and securities paid to date.

4. 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**

Yes, we agree the connections queue should initially include the 2035 time horizon to offer more certainty to developers and investors although we acknowledge risks still remain for the latter part of the connection queue as a result of SSEP. The more clarity that can be obtained from SSEP at an early stage (prior to this being released formally in 2026) will aid investor confidence.

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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?
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
<ol style="list-style-type: none"> 1. <i>Time horizon to 2035 – Acceptable in our view, however the more clarity that can be given as part of the new SSEP to aid alignment of later projects, including any projects beyond 2035 would be very useful for certainty and confidence</i> 2. <i>Approach for managing scope – discussed in answer to Q2</i> 3. <i>Demand projects – Acceptable, no further comments to make</i> 4. <i>Approach to oversupply – As indicated in responses to Q1 and Q2, we understand NESO's requirement to limit oversupply, however given nature of delay in how these plans have been implemented, fair compensation should be payable</i> 5. <i>Approach to undersupply – We believe potential substitution from adjacent locations is a sensible approach, however where this is not possible, we agree with reserving bays and capacity for new project opportunities to come through. Our only concern with this however is how NESO propose to communicate this to the industry? We note NESO has not addressed the concern for lack of some projects in the queue vs. the demand, which we believe could harm prospects to meet clean power by 2030? How will NESO propose to address barriers to project deployment to achieve their targets if one barrier for example is the cost of the reinforcement works and the burden of this on a developer?</i> 6. <i>Approach to project attrition – We believe the approach is sensible, however the SSEP will need to align to the next Gate 2 application window to ensure it can be used to help with project attrition for 2031-2035 otherwise it risks a further process lag</i> 7. <i>Optimal use of network – We believe consideration needs to be given to allocation of transmission costs on distribution connected projects. Such significant costs are not proportionate to the typical size of distribution connected project, and this could hinder progression towards the ideal technology mix. This therefore needs to be optimised as NESO modify the queues</i> 8. <i>Transition to SSEP – Agree this should not retrospectively change the queue, however there are some regions where the queue exceeds the 2035 pathway. Our assumption is that the SSEP will provide clarity on this where demand is needed beyond 2035</i> 9. <i>CP30 alignment to distribution and transmission – We need certainty as to whether ALL distribution projects are eligible, or those that have connection offers with ModApps that do not trigger transmission works are exempt? This is currently not clear</i> 10. <i>Spatial element to CP30 – We believe this is likely to cause the most frustration amongst developers and therefore consideration for compensation should be sought</i>

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| <p>11. <i>How to order projects in queue – We broadly agree with the logic behind the ordering of the queue based on existing queue position and planning status.</i></p> |
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| <p>6. Do the methodologies deliver our preferred options against each of the variables?</p> |
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You can find the relevant information in **Section 3 – Overview of framework of codes and methodologies for connections reform**

Overall, we believe that the methodologies proposed do generally deliver NESO's preferred options against each of the variables.

We do have concerns over some elements of the methodology more generally including:

- *Lack of clarity on some aspects of eligibility, i.e. what exactly are classified as exempt projects*
- *Lack of clarity on exactly what will be included in a Gate 1 grid offer – can an example be provided? This will again assist with investor confidence*
- *The timeline between the application windows opening and expectation on when offers will be received is protracted and will create some lags in project deployment and issues with financing and investor confidence, we don't believe this has been carefully considered*
- *There is a complete lack of clarity around how CfD and CM contracts that have already been secured will (if at all) be safeguarded*
- *There is a lack of clarity over how the CfD window for AR7 will align with the new grid reform timings. At present, many projects will not be able to enter AR7 in the knowledge that they do not have a guaranteed grid contract. Considering NESO in the CP2030 consider the CfD allocation rounds to be essential to future deployment, we do not understand why this has not yet been addressed*
- *We believe that queue position dates should not be based on NESO countersignatures on project progressions for distribution projects, this will distort the queue and is not fair on distribution project developers*
- *It is not clear how NESO intend to address grid connection costs particularly where projects trigger reinforcements and there are capital contributions. Smaller scale projects will not be able to take the burden of such costs so how will this be fairly allocated? We believe the reason why queues are falling short in some regions (i.e. SSE for solar capacity) is as a result of high connection costs*
- *Although we understand the reasons for a new financial instrument to further demonstrate project commitment, we have concerns that a fixed high fee will be a deterrent to some of the smaller developers who continue to show project progression and commitment. We believe a better mechanism would be to take a similar profile to securities in that a smaller upfront fee is due which gets greater the closer a project is to the energisation date*
- *We strongly believe that if a project meets the Gate 2 readiness criteria, but fails to meet the strategic criteria, any grid fees or securities paid to date should be reimbursed. If this is not implemented, it will give rise to potential legal challenges*

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- *It is not clear how delays to planning applications will be managed, particularly if these are prolonged delays*
- *We believe that any project that has requested advancement should be granted a review of that advancement to any date regardless of what the original connection date was*
- *It is not clear what happens in a situation where a project cannot accept a Gate 2 offer on the basis of connection costs being too high or curtailment being too high. For a given technology at a given scale, it would be unlikely any subsequent projects will be able to move forward if this is the case*
- *The offshore wind target appears ambitious, and we have concerns this will cause some delays to meeting the CP30 targets. Presumably a lag of deployment to achieve the most optimal technology mix is a preferred option to NESO rather than substituting technologies? We think it would be helpful to have sight of further scenario planning*

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**

We have addressed our concerns and where we are seeking greater clarity from NESO in our response to Q6. The only policy document we believe may interact with these reforms that has not been addressed is in relation to the consultations regarding the NPPF and an increase of the DCO threshold to 150MW. This again highlights a further argument to suggest Gate 2 readiness criteria should be based on land or planning with planning including DCO and TCPA projects.

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**

Generally we are in agreement with the approach to managing to project attrition, however we would flag that it may be challenging to replace a project with a close like-for-like project in the connections queue. We do however agree that this is the most logical step to initially locate a replacement project. In the case where an exact like-for-like is not possible, we would highlight there is a risk to NESO in the CP30 pathways and therefore it may be sensible to widen the criteria for a replacement project were this to be the case.

As a separate point, we believe that if a project leaves the queue as a result of curtailment or high connection costs, this needs to be re-assessed by NESO as it's unlikely that a like-for-like replacement project will be able to proceed with these challenges still remaining.

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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?

We agree with the Gate 2 readiness criteria that has been applied with the only exception that we believe it should include TCPA planning submissions as well as DCOs.

We can understand the need for the strategic alignment criteria to achieve CP2030 with appropriate technology mixes and scale, however the locational need has come as a surprise to a number of developers given the scale of the queue for solar and BESS vs. the need which was not previously anticipated. Overall, the target capacities for solar and BESS appear fairly conservative from our perspective and believe these could be pushed further to ensure security of supply.

Although we do not disagree with the approach generally to formation of the queue, we do disagree with some elements as mentioned in previous responses such as NESO project progression countersignatures being a key date to determine queue position etc.

We also need NESO to provide the granular data behind the locational requirements to allow developers and relevant stakeholders to complete more detailed bankability analysis. This will be critical to ensure confidence in projects moving forward.

On a separate point, we have concerns over treatment of hybrid projects. We believe that if one technology falls into the strategic alignment criteria, the project should be allocated a position in the queue on that basis.

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

Yes generally in agreement, however we would to ensure that any project has an ability to progress to any date through such an advancement request and they are not hindered by previously not accepting technical limits offers etc. The reason being is that a previous technical limits offer may not have been accepted on the basis of cost or curtailment, but those conditions may well have changed as a result of a change to the queue. This means a developer has got the ability to accelerate their project much earlier even if they did not previously accept a technical limits offer. NESO need to ensure there are no generalisations made, i.e. if a developer did not accept a previous advancement opportunity, it is merely because their project was not able to accelerate, this is often not the case.

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

Yes we are in general agreement with this approach although believe there should be a time limit on reserving capacity for Gate 1 projects.

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

Yes we are in general agreement, however we have provided more context in our response to Q8.

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). Yes, we agree with the land readiness criteria

Please insert your answer here for b). We believe that the planning readiness criteria should include TCPA planning application submissions as it can be the case that planning applications can be submitted prior to option agreements on a smaller project scale

Please insert your answer here for c). Yes, we agree with the criteria evidence assessment, particularly where there is a disputes process giving a developer to rectify any small omissions or errors

Please insert your answer here for d). Yes, we have no concerns with the self-declaration template

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?

No, we believe that this should also include projects seeking planning consent through the TCPA (Town and Country Planning Act) route.

The reason is that in many cases, developers will be in a position to commit to planning applications at TCPA level without option agreements being signed due to delays experienced with landowner solicitors etc. The majority of the development expenditure is incurred in the planning application stage and therefore this should be considered as showing even greater commitment to a project than a land option agreement alone. It will also provide some optionality to developers which again will help with investor confidence.

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Project Designation Methodology

You can find the relevant information in the **Project Designation Methodology - Detailed Document**

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

We have no major comments on this, and acknowledge it is for NESO to determine what projects are required in what locations to ensure system operability and security of supply which in turn will protect customers and consumers.

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

We have no major comments on this

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

We have no major comments on this

Additional Questions

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

Please insert your answer here