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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 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 <input checked="" type="checkbox"/> No – I am happy for my response to be available publicly

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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?
<p>You can find the relevant information in Section 2 – Context</p> <p>No, we do not agree with the intention to limit the amount of capacity being allocated a Stage 2 grid connection (and hence queue position, connection date and connection cost) to the capacities <i>forecast</i> to be built by the CP30 pathways and FES pathway beyond that (the "Pathways").</p> <p>It is worth noting that the Government's Clean Power 2030 Action Plan has not yet been released, and so the question itself is very difficult to answer. In the absence of the actual Plan, we (and presumably everyone else) will be answering it in relation to NESO's advice to government to adopt one of two potential CP30 Pathways and the FES Pathway beyond that. NESO are DESNZ's key advisor on this plan and hence it seems reasonable to assume that in general the policy will follow that advice.</p> <p>There is a fundamental issue with limiting the capacity being given Stage 2 connections to that which is forecast to be built by the Pathways. This issue is demonstrated by building up the following logic:</p> <ul style="list-style-type: none"> • Not granting a project a place in the queue is more or less equivalent to it not being developed. Grid access is now (and will be even more following the reform) the greatest risk in clean energy development. Projects without a grid contract will not be able to justify continuing development and will be frozen or abandoned. It is clearly the intention of the reforms to remove large amounts of storage and to some extent solar from development, but it is important to establish that capping the capacity granted connection contracts at a particular level is essentially the same as capping the amount of infrastructure actually being developed at that same level. • There is likely to be significant project attrition. Clearly a reasonable portion of the projects that are granted grid connections will be unsuccessful. This attrition would primarily come from planning not being secured (or a fatal issue being identified prior to planning submission) or project economics not turning out to be viable (e.g. resource level turning out to be lower than expected, equipment costs being higher than expected, etc.). As one example, onshore wind currently has an average planning success rate of 60-70% and many projects don't even reach that stage because of something being discovered during development. Therefore, the capacity actually reaching ready-to-build ("RTB") stage will inevitably be materially less than that which is granted a grid connection. Only RTB projects with grid connections will be eligible for CfDs/CM contracts, so there will be less of those than required. • The specific technology and locational capacities within the Pathways are a prediction of how the system might evolve, given various high-level spatial, technology and market assumptions; they <u>do not</u> do the converse and <i>define what is needed</i>. The Pathways are based on very high-level assumptions around cost of capex by technology, cost of capital, zonal averages of resource, cost of grid connection by voltage, overall potential for development, demand growth by broad region, power pricing,

future government support, etc. etc. etc. They are one party's broad forecast of what might happen and as a forecast are by definition wrong (i.e. the capacities built will obviously not be exactly as indicated by the Pathways – more importantly, based on historic ability of anyone to forecast what will happen in markets as complex as the energy market, the Pathways are likely to be directionally correct at best). More specifically:

- The Pathways clearly do not show where capacity is most *needed* in the purest sense. If that were the case then for example, a huge amount of generation of all technologies would be indicated to be *needed* in the centre of London and very little would be indicated to be *needed* in the North of Scotland. The Pathways are NESO's best guess of what an efficient, CP30 system *might* look like, given the high level assumptions about the future that are fed into the predictive model.
- There are actually infinite ways in which the system could actually evolve and infinite exact capacity pathways through which we could successfully reach CP30/NZ50. As you clearly and correctly set out in your CP30 advice:
 - On P7: *"Keeping options open. Our pathways recognise various uncertainties, including on demand and deliverability of certain options. In the face of these uncertainties, and the need to manage delivery risk, there is high value in pursuing multiple options where they exist and encouraging competition between, not just within, different technologies."*
 - And on P46: *"Our clean power pathways push the limits of what is feasibly deliverable, but there are some flexibilities at the margin. For example, onshore wind and solar could substitute for offshore wind; more demand-side response could substitute for batteries; more hydrogen or CCS could substitute for most other supply options."*
- **There is huge variance in project by project cost of energy within technologies.** It would be wildly incorrect to base policy on an assumption that all onshore wind, offshore wind, solar, storage, etc. has the same cost of energy respectively. Even once regional differences (in average windspeeds for example) are taken into account this would remain wildly incorrect. For example, the CfD required to make the onshore wind projects across our own portfolio (i.e. real projects that are being developed now) viable ranges from c. £36/MWh to c. £51/MWh, based on detailed financial modelling and our latest market and project specific assumptions (and there are plenty of projects we know of being developed by others that would sit outside of that range, particularly at the higher end). The same is true for all other CfD technologies, where project specific grid connection costs and resource levels and other site specific characteristics can lead to a wide range of relative project viabilities. Even different battery storage projects, which have fewer site specific considerations, will bid for wildly different levels of support from the Capacity Market in order to make them viable, depending on the specific grid connection costs and the quality/confidence of the operator and their operating strategy. Therefore, it does matter which projects ultimately get CfDs/CM contracts – we can't treat all wind as the same/all solar as the same/all battery as the same in terms of value to society.
- **Capping the pipeline of projects being developed based on readiness does not select the projects with the lowest cost of energy.** There may be a small amount of correlation between more ready projects and lower cost of energy projects (assuming lowest-hanging fruit was developed first and most vigorously), but it will be very far from perfectly correlated. We know this to be true just from looking at our own portfolio, where some of the most competitive projects are less progressed than some of the least competitive ones.
- **The cost to consumer is hugely impacted by the amount of competition there is in the key markets, i.e. CfD/Capacity Market/wholesale markets.**

- If there is less capacity bidding for contracts than the UK *needs* in order to reach CP30/NZ50, then by definition either we will (i) not reach CP30/NZ50 (i.e. DESNZ will set procurement below eligible capacity in order to ensure some competition) or (ii) clearing prices will be at the administrative strike prices rather than competitively set prices. Both of these outcomes are clearly highly undesirable. If the amount of capacity being developed is limited to that which is needed to reach the Pathway (i.e. what is roughly required to reach CP30/CP35 and ultimately NZ50), then by definition this will become the case because of project attrition.
 - More subtly, the more over-subscribed an auction is, the lower the clearing price will be. This is both because of (i) lower cost of energy projects replacing higher cost of energy projects and (ii) perceived shortage of supply of contracts making bidders more aggressive in their bids.
 - Small changes in a clearing price, once extrapolated across all capacity that is clearing, will make a huge impact on the cost to consumer.
- **The existence of a material transmission system means that in general power generated in one location is roughly equivalent to power generated in another location, though there are sometimes constraints which mean this is not the case.** There are many places where there are not material constraints between zones. Therefore, limiting the development within each of these zones to simply what the model spits out as being the *prediction* for development in that zone should obviously be highly sub-optimal; it clearly doesn't matter if the development is in one DNO zone or another if there are no fundamental constraints between them. Where there are constraints, these can be addressed either by (i) reducing the locational imbalance (i.e. incentivising or forcing the generation/demand to be located in such a way that additional transmission would not be required) or (ii) building additional transmission; there are costs associated with both of these approaches. Crudely, locational capping of capacity would only be optimal where the cost of additional transmission capacity required would outweigh the cost of lost competition. Using DNO zones would certainly be an arbitrary way to mandate spatial capacities, and Transmission Zones are also relatively arbitrary for this specific purpose. In fact, price signals already exist that help determine the most efficient balance between project location and transmission build (i.e. TNUoS and transmission losses). Given the extremely high cost of losing competition, any locational restriction on development must be very, very clearly justified. The existing proposals do not seem to consider this sufficiently, if at all.
- **Power from one technology can in general be replaced by power from another (this is clearly how an energy mix works and is reflected in the comments above that NESO made around keeping optionality open).** We acknowledge that not all technologies are dispatchable or generate at the same time, hence why a mix is likely to be optimal. There are also specific characteristics of power generated by different sources that have some importance (e.g. inertia, etc.). However, the cost of energy between technologies is extremely open to variance (primarily capex cost changes/technology improvements) and the ability for supply chains to deliver different technologies varies. Therefore, getting the mix right is best achieved through markets that procure the specific requirements, rather than mandating in advance the mix required. Otherwise there is extremely high risk of more expensive technologies being built instead of cheaper ones, or of not getting the capacity built that we require because supply chains for the "picked" technologies end up not being able to deliver. As with location, any technology specific restriction on development must be very, very clearly justified (for example it is very likely justified with respect to the impact of a c.10x over development of battery storage on the connection timescales for other technologies). Again, the existing proposals do not seem to consider this sufficiently, if at all.

Public

Given all of this, it would therefore seem highly sub-optimal to cap the capacity of projects being developed by technology and location at the regional and voltage-level pots predicted by the Pathways. We want there to be a (i) healthy (but optimal) over-development of projects and (ii) minimum restrictions on the location and technology type of projects, so that competition is maximised and the consumer costs of the transition are kept as low as possible. This obviously has to be balanced against the actual risk of abortive over-build of grid (which is also a consumer cost of course). However, there has been no analysis that has tried to address this complex, but fundamentally crucial trade-off.

At a high level we agree that the connection process should help to ensure that (i) projects that are likely to be what is needed to decarbonise the electricity system are not held-up by projects that are unlikely to be needed, and (ii) that the decarbonisation of the electricity system is undertaken at lowest cost to the public.

We also agree that the current combination of (i) first-come-first-served grid connections, (ii) no increasing annual cost to holding capacity, (iii) a requirement for grid owners to build whatever is needed to connect those that apply and (iv) a fully market-lead approach to what is developed and built, is not effectively achieving those two goals. We therefore agree with the case for change.

However, as laid out above, the apparent proposal would be no better in trying to achieve those two goals than the status quo and is a swing to the complete other end of the spectrum rather than a search for the most *optimal* way to achieve these outcomes.

We laud the pace at which NESO and DESNZ's are trying to move on these issues, after years of stagnation. However, there is an optimal pace for this to move at and moving too fast, with too little consultation and time to properly analyse effects, would be equally if not more damaging than moving too slow.

We urge NESO and DESNZ to properly consider all the impacts of the potential proposals on other key elements of the energy system (like CfDs and Capacity Markets) and to seek external market economic advice on their impact on competition and holistic cost to consumer. The materials and proposals provided seem to focus too directly on reaching CP30 targets with the lowest possible grid spend, without considering the wider economic system and more general cost to consumer.

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**

Public

No, as laid out above, on the basis that “align with the Government’s Clean Power 2030 Action Plan” means “fit within the location and technology specific pots that the Pathways forecast”.

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**

No, as laid out above, the need for change is clear and overall design 3 would not deliver the optimal solution either.

We would guess that a solution somewhere between these two would turn out to be optimal:

1. Significantly more projects than are actually needed should be offered Gate 2 offers (but not the entire current queue); and
2. locational/technology specific restrictions should only be employed where there are clear, justified reasons why substitution would be highly sub-optimal (otherwise markets/price signals should be used to incentivise development in the right location/providing the right characteristics).

The capacity “buffer” in part 1 of the above should be more than anticipated attrition rates, so as to ensure that even after attrition, significant competition remains in the key markets. However, in order to determine where best to set that bar detailed analysis needs to be undertaken to assess the impact of incremental development on the two competing factors of, (i) abortive grid spend (taking into account the ability to re-utilise most major upgrades for multiple projects) and (ii) competition in the market.

Another option that should be considered is the network companies simply not developing/building some of the most major grid upgrades that are implied to be required by the queue, but known not to be required in a realistic scenario. The contractual position would need to change so that developers take some of the risk around this (i.e. attrition expectation is to an extent built into the network design and if insufficient attrition actually happens then the position for those developers at the back of the queue worsens). For example, onshore wind in general is clustered behind some systematic constraints (B6 and B8 boundaries). Grid connections could be offered to twice the capacity that can actually be accommodated by upgrades to these boundaries, on the assumption that half will fall away through attrition (either planning or CfD). Maxima and minima can then be used in the CfD to limit the amount actually being built to what is actually needed, while ensuring the projects that do get built actually deliver the lowest cost to consumer. At the margin, there may be some projects that get built under other mechanics (PPA/merchant), but this can be factored into CfD allocations and ultimately developers would need to accept some risk of sitting behind the constraint. This would be a way to limit over-build of grid while retaining maximum competition. Again, significant consideration would need to be put into any such proposal, but for the most major investments that are highly unlikely to be required it may be a more efficient way to limit consumer exposure to abortive grid spend.

Public

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, this seems a sensible initial time horizon, with SSEP to expand on this by 2026.

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
<p>Since we strongly oppose the alignment of the connection queue with the Pathways, this question is better answered with respect to whether the preferred option is likely to be optimal for society as a whole.</p> <p>Variable 3: We have no strong view on this.</p> <p>Variable 4: No. As laid out above, it would be sub-optimal to limit capacities being developed to the locational/technology predictions of NESO's high-level forecast.</p> <p>Variable 5: No. The proposal states: <i>"However, to preserve the benefits of the CP30 Plan (e.g., through alignment against network plans), any substitution from an area of oversupply to an area of undersupply would need to be limited in scope. Our view is that any substitution would need to be of the same technology type, with the same or closely comparable capacity, from an adjacent location."</i> As laid out above, constricting competition between locations and technologies should be absolutely minimised to restrictions that are fundamental and cannot be overcome with price-signalling or markets. Certainly this level of arbitrary restriction would be massively sub-optimal.</p> <p>Variable 6: No. As laid out above, material attrition needs to be built into any restrictions on the capacity of projects being provided with Stage Gate 2 offers. 10% seems to be unlikely to be</p>

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nearly enough to be optimal and the actual number should be technology specific and grounded in proper evidence. For onshore wind for example, a minimum of 50% attrition (i.e. a doubling of Pathway capacities actually given Stage Gate 2 offers) seems sensible.

Variable 7: Further work required as noted.

Variable 8: Yes, as long as (i) we get it right the first time around and/or (ii) additional capacity can come into the queue at that stage.

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**

No answer.

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**

No answer.

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**

No. For all the reasons laid out above, arbitrarily using the 2035 FES forecast as the attrition buffer for 2030 and not including any attrition buffer for projects after 2030 is not optimal (i) for ensuring we even have enough capacity being developed to meet the Pathways and moreover (ii) ensuring there is an oversupply of projects to provide optimal competition in CfD and Capacity Markets.

There also seems to be a confusing disconnect between the idea of (i) what the Pathway forecasts will be built by 2030/2035 and (ii) the timeline required for upgrades to be built to enable specific projects. It is not the case that all the projects that sit in the “2030 pot” based on the allocation rules will ultimately be able to have connection dates in 2030. Conversely it is not the case that projects beyond the “2030 pot” will not be able to be connected before 2031. The pots are simply used to slightly re-order the queues (and limit capacity in development to the capacity predicted by the Pathway), but then there will be a whole re-studying of the network and projects will presumably be granted the earliest connection date they can be (*it would be even greater madness to artificially delay projects beyond 2030 just because they didn't fit into the 2030 pot if they were able to connect earlier – we therefore assume and hope that is not the proposal*). The order of connection dates of projects is not the same as their order in the national queue. Some projects that applied later/are less progressed (and hence will have lower positions in the queue)

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that are reliant on few or no upgrades will be able to connect earlier than other projects higher in the queue that are subject to more significant upgrades. Therefore the idea of “when some 2030 capacity exits we’ll replace it with 2035 capacity” doesn’t make sense – once the whole queue to gate 2 exercise is complete there are no longer 2030 or 2035 pots – there is just a queue again (with a total capacity limited to the 2035 Pathway predictions under your proposal). Therefore when a project higher up the queue exits, the projects that are impacted by that exit will just be restudied and given their new earliest connection date accordingly (assuming they are able to meet it). This itself is not a problem and is the natural way to manage the queue, but it is worth noting that the concept of “2030” and “2035” pots disappears once the queue is re-ordered and all that is left is a queue with connection dates as early as possible (or as early as requested if later). The issue remains that this queue of projects is not enough to make up for attrition or to create excess capacity to enable competition, and does not allow for competition between technologies and locations.

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?

Aligned with our major concerns above, we do not agree with the approach to applying the Gate 2 Strategic Alignment Criteria. Paragraphs 5.4.4 and 5.4.5 of the CNDM state:

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.*

5.4.5 *NESO expect the zonal division of the Transmission network to be outlined in the CP30 Plan. The CP30 pathways will differentiate between Transmission and Distribution connections, with the zones for distribution aligning to the Distribution Network Operator (DNO) network boundaries.*

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It should be blindingly obvious that DNO zones, while convenient from an administrative perspective, are wholly arbitrary when restricting competition or substitution between differently located project. In addition, while 5.4.4 hints at transmission zones being potentially less arbitrarily divided, it unnecessarily and inappropriately singles out offshore wind as a technology that might benefit from a less deterministic approach. The impact of offshore wind on the system is the same or very similar as that of other technologies (particularly onshore wind) and it would be wholly inappropriate to apply one set of rules for that technology and not to others that could easily substitute for it. Onshore wind is in general more cost competitive than offshore wind and it would be sub-optimal to create an arbitrary barrier to onshore wind in favour of offshore (this applies equally to the separate CfD pots for the two technologies, but that is for a different consultation...!).

All locational and technology divisions must be clearly justifiable as beneficial to the cost to consumer, and not arbitrary based on what most easily comes to mind or is most easy to administer. In general, cost-reflective price signals (like TNUoS or zonal pricing) rather than strict quotas should be used in order to ensure that the market is able to find its way to the most optimal pathway in real-time as high-level factors change in the future. A draconian fixed pathway now will lead to a sub-optimal, higher cost transition. Either the Pathways themselves need to allow for an order-of-magnitude greater flexibility and optionality between technologies and locations, or the CNDM must be set up in a way that it applies that flexibility and optionality to the Pathways. The latter would be the preference, since the Pathways are by definition only ever going to be a best guess at what might happen.

We agree with the approach to applying the Gate 2 Readiness Criteria to the existing queue. Ensuring that all connections have specific projects (i.e. land) associated with them, and then holding the qualifying projects to progress milestones, will remove all speculative holders of grid capacity from the queue and ensure that only real projects remain.

We note that planning status (consented/submitted/land only) is a very broad-brush way of then re-ordering the queue. The cliff-edge means that good projects that submit or receive planning a day after the deadline will end up being at risk of an unfair retrospective change to their connection solution or timelines. There will also be plenty of projects that are at a more advanced planning stage, but which are ultimately less ready for other reasons. And finally, as noted above, readiness does not well correlate with *viability* and so such a re-ordering does not mean that the lowest cost projects will be prioritised. However, we do not see a better objective way of ensuring that at a broad-brush level the most ready to connect projects are prioritised for connection, and we strongly support the mitigation NESO have put in place that the queue is returned to its current order once the “pots” have been selected. This is all subject to our more significant concerns above that the pots must be sized optimally by technology (maximising the optionality between substitutable technologies or alternative mixes of generation and storage) and maximally location agnostic, and in any case significantly larger than simply what is predicted by the Pathways.

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

No strong views.

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

If there are verified projects at Gate 1 with a specific redline boundary and LoA for that, which would be able to use that capacity.

If there is not capacity being developed in a location at the moment, it will not be developed by 2030. Moreover, capacity is being developed *everywhere* that it can be at the moment, so if there is an undersupply, that is because the modelling is wrong and that volume of that technology cannot be developed there.

Capacity and connection points should certainly not be reserved for projects that the computer says should exist, but in the real world don't.

The exception is where Crown Estate are clear they will be tendering further land for offshore wind. This would only be relevant for the 2035 pathway at this point though, given the long timelines for offshore wind development.

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

Yes, subject to all of the concerns above relating to the arbitrary and excessive division into technology, Tx/Dx and locational specific queues/pots.

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)

In general we agree with the Land criteria. There are two key concerns we have though.

1) It remains unclear whether an ongoing 3-year validity will always be required for options. On page 20 it states: *“The evidence provided must be exercisable for a period of at least 3 years from the date of agreement but this does not mean it will need to have 3 years remaining from the date the User submits the Land Option as part of their Gate 2 Application. However, it will need to show that the option length is for a minimum of 3 years. Note that the Option must continue to have at least a 3-year minimum period unless meets one of the exceptions in section 4.9 of this Gate 2 Criteria Methodology.”* I would be helpful to really clarify this, but we interpret this as meaning that the agreement *will* actually need to have 3 years remaining from the date the User submits as part of Gate 2 Application, and for as long as it retains a connection, *unless* it meets an exception.

Assuming this to be the correct interpretation, there are two issues to consider:

- It is very standard to have option periods and then rights to extend provided that certain criteria are met. For example, all of our solar options have 3 year terms from signing, with a right to extend by a further [xx] years if a planning application has been submitted. This sort of structure is very standard and ensures that projects are being progressed. It is important that any such extension rights are taken into account in the requirement for a 3 year option.
- Options tend to be signed/extended for the maximum length expected until the lease will be entered into. The lease is typically entered into just prior to construction, so for onshore wind for example, that would be c. 2-3 years before connection. Therefore, there are very realistic scenarios where a project has a connection date >3 years away, but has less than 3 years left on their option, because there is less than 3 years before they will expect to enter into the lease. We would recommend that there is a further exception in this circumstance – where the project is reasonably able to demonstrate that it does not *need* a further 3 years before it will enter into the lease.

2) We do not think that the minimum acreage requirements are helpful or necessary and could sub-optimally cause real projects to fail.

On not helpful: We and all others have many projects that have option areas well greater than we intend to build turbines, because much of the option area is not viable – therefore for most

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projects having a maximum MW/acre would not restrict developers' ability to hold more capacity than they actually intend to build.

On not necessary: Given that no transfer of capacity from one piece of land to another will be permitted going forward, there will be no incentive to hoard excess capacity because the developer will not be able to use it for anything else. As per our Financial Instrument response, we would recommend an ongoing (i.e. ever increasing) cost to holding capacity to properly incentivise developers to drop capacity once they think their site can no longer accommodate it. The risk around how much capacity to hold given the developable land within the red-line boundary should be left for the developer to optimise. We *want* people to be building as much capacity on as little land as possible, so there shouldn't be a penalty for innovation around this.

On sub-optimal: We presume that the numbers with respect to onshore wind have been created using a general assumption of density of turbines assuming a large contiguous land area. However, option areas can be irregular (and even sometimes non-contiguous) parcels and turbines can be installed right up to the edge of the parcels. This can lead to real, well-designed projects that may not meet the requirement. We have looked at our projects and given they all have parts of the option areas that are not being used for turbines, they all meet the requirements. However, if we were to restrict the land area to just the area we are building turbines, then a number of them would fail this density test. This indicates that there may well be good, viable projects out there that would fail the metrics proposed.

Considering (i) the risk of NESO inadvertently stifling innovation or setting a general requirement that trips up specific viable projects vs. (ii) the lack of need and effectiveness of this methodology, we strongly advise its removal.

If NESO insist on including it, then there must be a robust appeal process that allows developments to justify to NESO that their project does have sufficient land (by showing realistic layouts), which is not overly restrictive and only removes those projects that are objectively and materially unrealistic.

No answer.

No answer.

No answer.

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 answer.

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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?

No answer.

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

No answer.

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

No answer.

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Additional Questions

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

No answer.