

Public

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Joint Direction and Letter of Comfort request from NESO and all three GB Transmission Owners (NGET, SSENT and SPT)

Dear Jack,

In our previous letter, dated 19 August 2024, NESO (at that time ESO) and the Transmission Owners (TOs) set out our rationale for why we believed that maintaining the business as usual (BAU) approach for processing connections applications between then and the go-live of the ongoing Connections Reform code modifications (CMP434 and CMP435 and CM095, subject to approval)¹ was an unsustainable approach to maintain as we near the implementation of Connections Reform (subject to approval). In that letter, we set out our justifications for requesting several directions and a letter of comfort from Ofgem, which would enable us to implement a transitional offer process for new directly connected applications. The purpose of this was to avert the risks of continuing to maintain BAU processes, whilst further supporting a smoother transition into Connections Reform (subject to approval).

This has been an impactful first step to transition into Connections Reform, however, along with the TOs and distribution network owners (DNOs), we believe we need a second phase, to create a stable platform for the Gate 2 to the Whole Queue (G2TWQ) process², and collectively set ourselves up to successfully deliver Connections Reform in 2025. We are therefore writing to request relief from certain obligations to enable this.

¹ CM096 is no longer under consideration as it has been withdrawn by NESO as the Proposer.

² A one-off exercise, which will be performed should Connections Reform be approved, in which all existing projects in the connections queue will be assessed against a set criteria and be provided with either a firm "Gate 2" offer, or a Gate 1 offer, with an indicative connection location and date.

Proposal

We propose to introduce further activities to transition into Connections Reform, with three main elements:

- 1) A change to the existing transitional offer process to now apply only to new directly connected demand projects³ (i.e. no longer applicable to new directly connected generation projects) from 29 January 2025 until Connections Reform is implemented or Ofgem states that it is not proceeding with the reforms (whichever happens first). This is to align with Government's strategic direction as set out in its Clean Power 2030 Action Plan (CP30). Specifically, CP30 does not include a pathway or targets for demand customers, recognising that new and growing demand drives the need to connect renewable generation, therefore, demand should not be constrained by these pathways. To enable this, the Phase 1 Transitional Offer process needs to be extended for demand (currently due to expire on 31 March 2025) until the point at which Connections Reform is implemented, or Ofgem states that it is not proceeding with the reforms.
- 2) A "pause" in accepting or processing any other applications received from 29 January 2025 until the point at which Connections Reform is implemented or Ofgem states that it is not proceeding with the reforms (whichever happens first). This would apply to both transmission and distribution applications, including new applications, modification applications, BEGA and BELLA applications and Project Progressions. For the avoidance of doubt, the DNOs will continue to accept applications and provide offers, but those that require TIA / Project Progressions will not be passed through to NESO during this pause.
- 3) Agreement variations and Notices required to be triggered by the TOs, including for the purposes of safety and security of the network will continue throughout the pause period as under BAU. Additionally, in limited exceptional circumstances and where NESO/TO agree it is necessary for critical business, strategic or network needs, full offers may continue for certain critical Modification Applications submitted after 29 January 2025 that:
 - a. are linked to circumstances where NESO/TO considers that the modification application will not have material impact on the G2TWQ process (for example, this may include Modification Applications that request a delay to a customer's existing Connection Date providing it remains within the same Clean Power 2030 pathway);
 - or
 - b. relate to the safety and security of the network (e.g., asset replacements); or
 - c. are delivery-critical modification applications for customers who are connecting before the end of 2026; or
 - d. are excepted on a case-by-case basis, against a set criterion determined by NESO and the TOs, which will cover:
 - i. possible impact against the overall project programme.

³ For clarity, embedded demand is out of scope of the connections reform proposals and therefore out of scope of the pause.

- ii. committed spend.
- iii. impact on other projects; or
- e. are exempted on a case-by-case basis, where NESO/TO considers that failure to process the modification application at this time could have detrimental impact on the safety and operation of the network.

For exempted demand applications to be processed by the networks and accepted by customers in time for inclusion in the G2TWQ process, all such applications will need to be made by 21 March 2025.

To further support the above elements, and ensure certainty for industry, we are also proposing a 'fallback' position in the event of any notable delay to the implementation of the Connections Reform. As such, we request that Ofgem grant the above comfort reliefs until 31 May 2025 at the latest.

NESO and the TOs will take reasonable endeavours that those who apply prior to the pause set out above will be processed promptly, to enable offers to be issued prior to the implementation of Connections Reform. To enable this, by 12 February 2025 we will ask that customers have paid their application fee, provided any additional justification requested, and answered any questions from NESO and TOs about their application. If they do not do so by this date, we propose that the application will not be 'clock-started'⁴ / processed. This customer commitment is needed to enable TOs and NESO to undertake reasonable endeavours to process and issue offers, and to be reviewed and agreed by customers prior to the implementation of Connections Reform. NESO and the TOs will support customers through communications at this time. For demand applications, these must have 'clock-started' by the 4 April 2025 (two weeks after the application deadline of 21 March 2025).

If an application is submitted during the pause, it will not be accepted, and customers will need to reapply under the new Connections Reform process.

The below shows the timelines during this time:

⁴ 'Clock start' is the date on which the application & Data Registration Code (DRC) data submission is deemed technically competent, and the fee is paid (the latter of the two dates). Clock start signifies the start of the 3-month offer period as defined in CUSC.

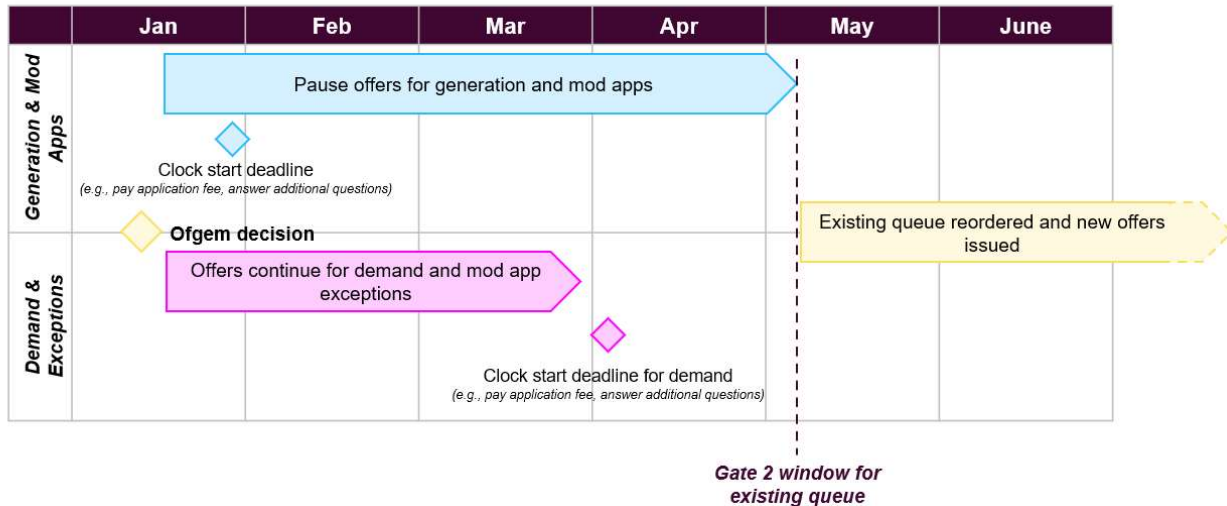


Figure 1: Maximum timeline available for the 'pause'

To make this pause effective, NESO, TOs and DNOs would work together and make reasonable endeavours to issue an offer not covered by the pause would be available for the User to accept prior to the implementation of Connections Reform. We are working with the TOs to expedite the offer creation timescales, by taking reasonable endeavours to reduce this (we anticipate to nine weeks).

For the process to work, we also propose that the offer acceptance period for offers issued in line with the above will be shortened (we anticipate to four weeks). This would help offers to be in a signed position by the implementation of Connections Reform, so that customers can participate in the G2TWQ process. As NESO will confirm the signature deadline in line with the date of Connections Reform implementation, those that have not signed their contracts before by that deadline will see their offers lapse.

Please note that the proposal is consistent with the TMO4+ code modifications, with regards to the treatment of 'Existing Agreements' and continued transitional arrangements⁵.

Case for change: why is a pause needed?

1. **Enable offers to be reissued in Q4 2025:** To deliver on critical implementation milestones, specifically processing applications in the G2TWQ process and issuing offers, we need to significantly reduce the quantity of applications received and therefore needing to be processed. NESO is receiving ever increasing numbers of applications (see Figure 2: for example, 2023/2024 saw 3.7 times as many applications than in 2019/2020) as developers are maximising their chances of being part of G2TWQ. From a 2024/25 perspective (see Figure 3), NESO recognises that the elevated number of applications (over 1000 from April to November 2024) is, in part, due to other code changes, for example CMP376 likely caused

⁵ The TMO4+ code modifications incorporate extensions to the transitional offer arrangements.

an increase in modification applications in May 2024, and could help to explain the elevated numbers in June too. Moreover, the increase in new applications in July may have been in part due to customers being made aware of the initial transitional arrangements introduced in September 2024. However, the continued levels of all types of applications demonstrates that there are significant numbers still being received. If this volume continued, NESO and TOs would not be able to dedicate their required focus on preparing to reorder the queue and reissue offers in line with critical milestones proposed for Connections Reform. Therefore, NESO and TOs consider that the pause, as set out in this letter, is essential to maximise the collective efforts of achieving these milestones.

2. **Customer clarity:** Continuing to accept, produce and issue offers, even under the transitional arrangements, until the implementation date, leaves all parties uncertain of the process and with a heightened risk that offers would be made but not accepted in time for inclusion in the G2TWQ process. This is because the time required for offers to be created and signed does not align with the timescales remaining prior to the implementation of Connections Reform. Simply put, an application received today could not be issued ahead of the G2TWQ process based on the stipulated CUSC timescales.⁶ Therefore, customers would find that their applications would lapse. This means that they would not be able to participate in G2TWQ and would need to wait for the next available window for an offer to be created. Having this distinct pause and deadline dates provides clear guidance to the customer of what is required ahead of the new process and therefore strongly helps to mitigate this risk. For this reason, an option of extending the existing transitional arrangements (transitional offers for new applications and continued full offers for modification applications) until the implementation date was disregarded, due to the uncertainty that it would present for customers, right up until the date of Connections Reform implementation.
3. **Single focus on delivering reform:** Introducing a pause provides a clear pathway and smooth transition for all parties to the new connections process; it gives a 'signal' to industry that we collectively are committed to implementing Connections Reform in the most efficient and effective way.

Application Type	2019/20	2020/21	2021/22	2022/23	2023/24
NESO New Connection Application	219	278	505	955	902
NESO Project Progression Application	56	66	123	237	309
NESO Modification Application	195	207	286	458	557
NESO Statement of Work (SOW)	6	3	10	13	20
Totals	476	554	924	1663	1788

Figure 2: Growing number of queue applications, by type

⁶ Within CUSC (e.g. 6.9.2.2, 9.17.2) an offer must be made within 3 months and shall remain open for acceptance for 3 months.

Application Type	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Totals
NESO New Connection Application	31	31	31	50	42	24	23	30	262
NESO Project Progression Application	21	44	29	31	31	33	28	28	245
NESO Modification Application	54	167	71	45	61	53	58	75	584
NESO Statement of Work (SOW)	2	6	0	0	0	0	0	0	8
Totals	108	248	131	126	134	110	109	133	1099

Figure 3: Queue applications in FY24, by type

Additional information

Justification for the Demand Exception:

As part of Connections Reform, the queue will be strategically aligning to CP30 targets in the first instance. However, CP30 does not include a pathway or targets for demand customers, recognising that new and growing demand drives the need to connect renewable generation, therefore, demand should not be constrained by these pathways. In the Connections Reform annex to CP30, the government states that it is 'essential that steps are taken to ensure major demand investors can continue to bring forward and progress investments in Great Britain both ahead of reform and as reforms are progressed'⁷. As such, it is deemed appropriate that new directly connected demand customers continue to receive transitional arrangements through the pause, to help enable the Government's ambition for economic growth, enhanced social value, and acceleration to net zero.

DNO processes during the pause

We have been working with the DNOs to assess the pause, and whilst the DNOs are supportive of a pause at transmission level, it is not a process that they will adopt at a distribution level. Customers can continue to apply at distribution level and all six DNOs will continue to provide offers following the receipt of an application. DNOs will continue to send offers as most DNO offers are not impacted by reform; this will therefore avoid an unnecessary build-up of applications and maximise the number of signed offers before the CMP434 application window.

Regarding the transmission impact assessment process between DNOs and NESO, DNOs' preference is to wait until the introduction of the CMP434 window before sending the applications through to NESO. Due to the short timeframe between the introduction of the pause (if approved)

⁷ Clean Power 2030 Action Plan: A new era of clean electricity – Connections reform annex

and Ofgem’s decision on the connections reform code modifications, it would be inefficient to send the transmission impact assessments to NESO, especially as these would need to be resubmitted in the first application window, to be batch-assessed.

The DNOs do not believe that there is any immediate code or licence impact to continue making and sending offers that cannot go through the transmission impact assessment until the start of the new gated process. The DNOs consider that they will still be complying with their licence conditions.

Ask for Ofgem:

Should Ofgem be minded to accept our proposal, we are seeking the following directions and letter of comfort to allow implementation of a pause in applications received as of 29 January 2025 until the earliest of either: Connections Reform is implemented; Ofgem states that it is not proceeding with the reforms; or the ‘fall back’ date of 31 May 2025.

Requirement to Offer Terms within specified timescales

Parties affected	Obligations	Relief requested
NESO	<p>Electricity System Operator Licence Condition E12 sets out requirements for connection applications and agreements. Specifically:</p> <p>E12.2 – the requirement to enter a CUSC framework agreement</p> <p>E12.3 – requirement to notify other STC parties</p> <p>E12.4 – requirement to offer to enter into a bilateral agreement / construction agreement</p> <p>E12.6 – terms to be offered as soon as practicable in specified timescales.</p>	<p>Applications would not be processed and offers would not be issued in the circumstances set out in the above proposal. Therefore, NESO is asking for relief from the paragraphs set out in E12 of the Electricity System Operator Licence, specifically E12.2, E12.3, E12.4 and E12.6.</p>
NESO	<p>Several provisions set out the requirements for NESO to make offers or process applications, in particular Paragraphs 1.7 (BELLA Offer), 2.13 (New Connection Sites),</p>	<p>Applications would not be processed and offers would not be issued in the circumstances set out in the above proposal. Therefore, NESO is requesting relief from the requirements to offer</p>

	6.9 (Modifications), 6.10 (Modifications and New Connection Sites), 9.12, 9.17 and 9.20 (interconnectors) of the CUSC.	terms in the specific paragraphs of CUSC.
NESO	Section 3 of CUSC sets of the Use of System requirements. Specifically: 3.7.1 - submission of a Use of System application 3.7.2 - timeframes for the Use of System offer.	Applications will not be processed and offers will not be issued in the circumstances set out in the above proposal. Therefore, NESO is requesting relief from 3.7.1 and 3.7.2.
NESO	Section D, Part Two of the STC sets out obligations to notify TOs of applications received.	Applications would not be processed in the circumstances set out above. Therefore, NESO is requesting relief from these obligations.
NESO	Electricity System Operator Licence Condition E2.25 requires NESO to comply with the CUSC. Condition E4.24 requires NESO to comply with the STC.	For the reasons set out above, NESO is requesting relief from these obligations.

As NESO would not be accepting the relevant applications received from 29 January 2025 (or processing them where the relevant actions are not completed by 12 February 2025) and would not be accepting applications from 21 March 2025 in relation to new directly connected demand projects outlined above, there would be a period of non-compliance with the above obligations. Therefore, NESO would require a letter of comfort covering the above obligations and confirmation that Ofgem will not pursue enforcement action as the non-compliance is an appropriate course of action in the circumstances.

NESO also requests comfort from Ofgem that the proposal above is not considered to be inconsistent with NESO's general obligation, set out in Condition C1.6(f) of the electricity system operator licence, to manage applications for access to the National Electricity Transmission System in a fair, consistent and timely manner.

Offer Acceptance Timescales:

Parties affected	Obligations	Relief requested
NESO	CUSC Section 1, Paragraph 1.7.3, Section 2, paragraph 2.13.4,	For offers that that are received prior to 29 January 2025 and clock started

	Section 3, Paragraph 3.7.4, section 6, Paragraph 6.9.2.3, Section 9, Paragraph 9.17.3 and 9.20.4 set out the offer acceptance timescales	prior to 12 February 2025, we propose that NESO will require customers to accept a shorter time period to enable offers to be capable of being signed ahead of the Gate 2 to Whole Queue process (or they will not be eligible to participate). Therefore, NESO is requesting relief from the obligations set out for this purpose.
NESO	Electricity System Operator Licence Condition E2.25 requires NESO to comply with the CUSC.	For the reasons set out above, NESO is requesting relief from this obligation.

Under our proposal, NESO will request customers to accept a shorter offer acceptance timescale (we anticipate four weeks), including the time for DNOs to work with customers to accept the offer, which may be considered as a period of non-compliance with the above conditions. NESO requests a letter of comfort relating to the above provisions and Ofgem's confirmation that such non-compliance is an appropriate course of action in the circumstances and will not lead to enforcement action.

Extension of transitional offer arrangements:

Parties affected	Obligation	Relief requested
NESO and TOs	Set out in full in Ofgem's letter dated 21 August 2024 ⁸ .	Continuation of transitional offers (relief granted by Ofgem on 21 August 2024, and due to expire on 31 March 2025) as set out above. Rationale provided in joint ESO and TOs letter dated 19 August ⁹ .

We are requesting the relief granted in response to our previous letter (relief is due to lapse on 31 March 2025) is extended to until the earliest of either: the point at which Connections Reform is

⁸ [Ofgem Transitional Arrangements Decision, 21 August 2024](#)

⁹ [Joint Direction and Letter of Comfort request from the ESO and all three GB Transmission Owners \(NGET, SSENT and SPT\); Decision on Joint Direction and Letter of Comfort requests on Transitional Arrangements for new connection applications | Ofgem](#)

implemented, Ofgem states that it is not proceeding with the reforms, or 31 May 2025. In accordance with the transitional arrangements agreed by Ofgem on 21 August, in line with the above proposal, new directly connected demand applications would continue to receive transitional offers (as set out in the ESO letter dated 19 August 2024) for an extended period. NESO requests a letter of comfort from Ofgem confirming that the issuing of transitional offers remains the appropriate course of action and will not result in enforcement action.

Demand customer and exceptions for critical works

In proposing the 'exception' categories outlined above, NESO has considered Condition B6 of the electricity system operator licence, specifically Condition B6.2, which prohibits undue discrimination in the provision of Use of System services or connection works to the National Electricity Transmission System. We consider that the demand exception is justified given the differences in demand and generation connections and the differing impact of the Connection Reforms on the different types of connections, as stated in the 'Justification for the Demand Exception' section. Additionally, NESO and TOs are mindful that there may be limited circumstances in which exceptions may need to be made to provide full offers for modifications to allow critical works to progress (e.g., for business, strategic or network critical needs); NESO and TOs will handle these exceptions on a case-by-case basis, as per the above criteria. NESO and TOs requests Ofgem's confirmation that the proposed differing treatment for these applications is justified.

TO Requirements:

As noted above, our request is that the transitional arrangements approved by Ofgem on 21 August 2024 will remain in place for the directly connected demand exemption until 31 May 2025 (at the latest). TOs request that the relief provided by Ofgem in their 21 August letter is extended for directly connected demand customers. As above, TOs request confirmation from Ofgem that the differing treatment for certain applications will not constitute undue discrimination.

In terms of the pause itself, the TOs' view is that additional relief is not required on their behalf. The rationale for this is that as NESO will not be notifying the TOs of applications received (unless in the case of an exception) then their obligations within the Standard Licence Conditions ("SLC") will not be triggered. TOs request that Ofgem confirm that this is the case.

Conclusion:

On 1 October 2024, we became NESO, an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system. NESO's primary duty is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers. We also have a duty, set out in our electricity system operator licence, to coordinate and cooperate with TOs and DNOs to identify actions and processes that advance the efficient and economic operation of networks and to use best endeavours to implement those identified.

Public

In line with our obligations as NESO, optimally facilitating Connections Reform is an important part of promoting our objectives. Therefore, to best facilitate the proposed connections reform process and ensure that the Gate 2 to Whole Queue process (proposed under CUSC Modification CMP435) is successful, economic and efficient, and can provide the most benefits for industry, a pause in processing connection applications is required by NESO and the TOs. To move forward with our recommended proposal, NESO and the TOs seek Ofgem's approval to progress. Subject to the exceptions set out in this letter, this will facilitate the introduction of a pause in applications from the 29 January 2025. This pause will last until the earliest of either: Connections Reform is implemented; Ofgem states that it is not proceeding with the reforms; or 31 May 2025.

If Ofgem is supportive of this approach and grants the approvals required, NESO will communicate and support the industry through this change.

We are pleased with the engagement Ofgem have had with all parties regarding this collaborative solution so far and we welcome further discussion on this, should Ofgem have any questions or concerns about the approach.

Yours sincerely



Matthew Vickers

Director Of Connections Reform