

Julian Leslie  
Head of Networks and Chief Engineer  
National Grid Electricity System Operator  
Faraday House,  
Gallows Hill.  
Warwick,  
CV34 6DA

mail: [jack.presleyabbott@ofgem.gov.uk](mailto:jack.presleyabbott@ofgem.gov.uk)

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## Letter of Support for time-limited Two Step Process

Dear Julian,

I am writing to express Ofgem's agreement to the two step connection offer process proposals for a period of twelve months from publication of this letter (the proposals). This process has been developed by National Grid Electricity Transmission (NGET) and National Grid Electricity System Operator (NGESO) (the licensees). Ofgem's support is based on the proposals as set out in this letter and the documents published by NGESO on the proposals. We accept that full detailed connection offers will not be provided to applicants within the usual 3 months of application, during the limited time period of the proposals. We continue to expect all other licence obligations are adhered to and this letter in no way limits our ability to take any action, regarding NGESO behaviour. No formal derogations have been requested by NGESO.

The proposals are to implement the new Construction Planning Assumptions (CPAs). This is a specific issue, and does not remove the need for more significant connections reform to be considered. Ofgem will continue to work with NGESO and the GB Transmission Owners (TOs)<sup>1</sup> to ensure reforms improve the connections process, delivering at pace but with appropriate engagement with current and future connecting parties.

Ofgem's understanding is that other TOs do not require the two step connection offer to implement improved offers with the updated CPAs to connection offers and applications. Therefore, we expect by March 2024 that all connection offers across GB will be provided using the new CPAs.

### Ofgem's understanding of the proposals

It is our understanding that these proposals have been discussed with the licensees' stakeholders.<sup>2,3</sup> These proposals will only be implemented in NGET's licence area.

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<sup>1</sup> Transmission Owners plan, construct and manage areas of the GB electricity transmission network. There are three TOs: National Grid Electricity Transmission (NGET) in England and Wales, Scottish Power Transmission (SPT) in Central and South Scotland, and Scottish Hydro Electric Transmission (SHET) in North Scotland.

<sup>2</sup> [Microsoft PowerPoint - ECC Agora 16th November 2022 without TEC.pptx \(nationalgrideso.com\)](#)

<sup>3</sup> [Two-step offer process | National Grid ESO](#)

NGET and NGESO propose that for a time limited period offers shall be provided in two steps. All connection offers will be updated and with the required detail for connecting parties within 12 months of the two step process commencing; except for those Connection Applications<sup>4</sup> received in the final three months of the two step process, which will receive detailed offers within three months. Any Connection Applications prior to the start of the two step process would be expected to be completed as per the current arrangements. The two step process would only apply to all new applications and modification applications with a completion date later than January 2026.

As part of Step 1 (within 3 months of the application), a connecting party will receive an interim offer, providing the party a place in the Transmission Entry Capacity (TEC) queue, confirmation of the latest year it will be connected and the point of connection. There will be no detail on any works, programme or costs. Securities will therefore be set to £0.

As part of Step 2, the connecting party will receive all the detail it would normally receive as part of a connection offer. It will also become liable to securities. If it does not accept the offer, it will be able to leave the queue at no cost.

This differs from the current arrangements whereby connecting parties receive a full offer within 3 months of application.

### **Ofgem's understanding of the need for these proposals**

Parties enter the connection queue and appear on the TEC register when they have accepted a connection offer. However, there are projects in the connections queue that the licensees do not expect to connect. Therefore, this slows down the rate at which other projects can connect, as the licensees facilitate connections in queue order.

The licensees will use the time made available by the proposals to update their assumptions around what will connect (the Construction Planning Assumptions (CPAs)) and apply an updated, and more realistic, level of attrition that they assume for projects in the current queue. It will also enable a new approach to the modelling of batteries to be applied to all connection agreements, providing a more accurate assessment of the impact of batteries on the wider system.

The licensees will then assess the impact that the updated CPAs will have on the planned Transmission Reinforcement Works<sup>5</sup>. It is expected that a reduced level of reinforcement works will be required, which could bring forward the dates of connection for many projects within the queue.

The process will also allow the implementation of the agreed holistic network design (HND), to ensure that investments are properly reflected in customer agreements.

By the end of the 12 month two step process, the new CPAs will have been applied to all connections offers and will apply to future connection applications. All parties with a connection offer (either existing or new applications made under the two step process) will have an updated connection date and offer, reflecting the updated CPAs and revised Transmission Reinforcement Works.

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<sup>4</sup> As defined within the Connection and Use of System Code (CUSC) and as detailed in Exhibit B in the CUSC

<sup>5</sup> As defined in the CUSC

At this point, all connection offers across GB will be made using updated CPAs that are consistent across all Transmission Owners (TOs), and all connection offers should reflect this.

### **Next steps**

The licensees will communicate to their stakeholders when the time-limited proposals will be implemented, which will be 1 March 2023. NGESO and NGET will provide monthly updates to Ofgem on the progress of this, as well as their understanding of the required transmission reinforcement works with the new CPAs. We also expect the licensees to keep stakeholders regularly updated. Step 1 connection offers will be provided to applicants within 3 months.

If it appears that this work will not substantially improve the connection dates for the majority of connecting parties, this must be discussed with Ofgem, so that it can be discussed whether the two step process should continue, if it is not providing improvements to connecting parties.

The purpose of this process is to ensure that connecting parties receive accurate and timely connection offers, to facilitate the meeting of net zero. However, we also understand that the need to implement the two-step process arises, at least in part, from the challenge of maintaining performance in line with the standards that are required against the increasing number of connection applications. We view this 12 month period as an opportunity for licensees to materially improve their practice in order to be in a position of ongoing compliance and prevent this form of action being needed again. If we do not see the necessary improvement in performance, Ofgem will determine what further actions are appropriate to take.

Following the conclusion of the proposals, licensees will be required to provide full and timely offers to all applicants as per the existing obligations, which Ofgem will monitor.

Should you wish to discuss the contents of this letter please contact [connections@ofgem.gov.uk](mailto:connections@ofgem.gov.uk) or me directly.

**Jack Presley Abbott**  
**Deputy Director, Market Design,**  
**Energy Systems Management and Security, Ofgem**