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Dear Jack,

Request for two-stage Connections Offer

Following previous discussions and your email of 15 December, this letter sets out and provides the rationale for NGET's request for implementing two-stage connections offers, together with the following additional detail requested:

- Provide a rationale explaining why your proposals mean NGET cannot comply with the current requirements.
- Explain the new obligation NGET propose to comply with and what the consequences would be for impacted parties with non-compliance; and,
- Explain how long NGET will be unable to comply with the current licence or code obligations for.

To provide an update on the activity we have seen since our previous letters, we are continuing to see an ever-increasing appetite from customers to connect to the system. In the past 12 months we have processed over 700 applications from customers, and since our November letter alone this equates to a further 30GW of additional capacity contracted within England & Wales. To set further context across the GB connections market the latest TEC¹ and Interconnector² registers detail that 251.5GWs of new generation and interconnector projects are contracted to connect, with 176.3GWs of this capacity located within England & Wales³. Combined with connected volumes equates to 334.1MW in GB and 241.3GW in England & Wales. This scale of capacity contracted is significantly more than the level of capacity that even the most ambitious FES scenarios predict will connect by 2030. Such over-contracting comes with a potential cost to consumers: long lead times risk delaying the connection of low-carbon generation and we will need to develop many more connections than will proceed. We recognise that whilst the process is being delivered in line with our licence obligations, it is no longer representing value for customers and ultimately consumers in the net zero transition.

We would also like to provide support of the recent announcement from National Grid Electricity System Operator (NGESO) that it plans to launch a connections reforms review. Whilst this is a longer-term

¹ <https://data.nationalgrideso.com/connection-registers/transmission-entry-capacity-tec-register>

² <https://data.nationalgrideso.com/connection-registers/interconnector-register>

³ As published by the ESO on 7 February 2023

initiative, we feel progress can be made by industry without any significant resource required from Ofgem at this time. We believe that there are urgent and targeted short-term reforms that need to be introduced ahead of that work being implemented to address connection lead-times. We also believe our proposals outlined within this letter are aligned with the recent Ofgem open letter on prioritisation with regard to Electricity Network reforms, as the proposals enable near term improvements to connections⁴.

As you know, we have been working with NGESO to make a number of changes to support our ask. This includes an update of the background underpinning connection designs and updating the treatment of batteries. This has led to NGESO producing a more realistic modelling background based on the FES 'Leading the way' scenario. To accompany this, NGESO is developing a new methodology for the treatment of batteries. In essence these initiatives have the potential to accelerate connection timescales for some customers once implemented.

Both developments are hugely positive but will require NGET to restudy the contracted background on a project-by-project basis, consistent with the first come first served queue position order, as per our licence and code obligations. This principle means that the new modelling inputs from NGESO, expected to improve connection dates, must benefit those customers with signed connection agreements before the new modelling inputs can be offered to other customers. Given that we have over 1000 contracts to restudy and continue to receive approximately 70 a month; some form of firebreak or change over this period is required to implement these changes from restudying the contracted background. We discounted the approach of 'stopping applications' given the negative impact on the GB industry and confidence in electricity and thus Net Zero. We have therefore identified a change to the existing offer product as a pragmatic (and necessary) route to implementation.

We have additionally assessed how the two-stage connections offer product might interact with our existing connection offer obligations in the SO/TO Code (STC). In our view, NGET would continue to meet its licence and code obligations through an adjustment to the current connections process provided for under the STC to allow a two-stage approach to connection offers. This would be based on an initial first stage connection offer to NGESO in existing timescales with reduced detail, followed by a second stage offer to be provided within twelve months of the first stage offer, equivalent to the existing standard connection offer. The introduction of this two-stage offer process would be time-limited as agreed with Ofgem and NGESO.

As a result of implementing a two-stage offer, customers will continue to be able to secure their place in the connection queue having signed their first stage of the offer; and the second stage of the offer will benefit from being based on the optimised backgrounds and improved modelling assumptions that apply to connections for batteries.

Another important consideration is that the above optimisation process is also vital to deliver the revised connection contracts to the offshore wind farm projects which are covered by the Pathway to 2030 Holistic Network Design (HND) process⁵. Without this optimisation process being undertaken there will be no means to update these contracts without discriminating against other (onshore) projects in the queue, primarily due to the integrated nature of the regional connection queues and physical constraints at substations. We recognise how important this process is to enable the expected level of pace on delivering against the governments 50GW offshore wind target for 2030.

⁴ <https://www.ofgem.gov.uk/sites/default/files/2022-11/Open%20letter%20-%20prioritisation%20across%20charging.pdf>

⁵ <https://www.nationalgrideso.com/future-energy/the-pathway-2030-holistic-network-design/hnd>

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Quinn'.

Roisin Quinn
Customer Connections Director

**FOR AND ON BEHALF OF
NATIONAL GRID ELECTRICITY TRANSMISSION PLC**