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## **Letter of Support for three-month extension to the Two Step Process**

Dear David,

I am writing in response to National Grid Electricity Transmission (NGET) and National Grid Electricity System Operator (NGESO) ('the licensees') request dated 14 February 2024 for: (1) a three-month extension to the timeline set out in the original Letter of Support for the Two Step Process<sup>1</sup>; and (2) an extension of the clock-start (to 1 March 2024) for all connection applications received between 27 November 2023 and 29 February 2024. Whilst we are disappointed that the original timelines and objectives of the Two Step Process have not been met, we are approving the request, as we agree that it is a pragmatic way forward in the circumstances for the benefit of customers. Ofgem's approval is based on the proposals as set out in this letter, and our firm expectation that no further extensions will be required nor requested by NGESO and/or NGET.

We recognise that the unprecedented volume of new applications to connect to the transmission system has impacted the potential effectiveness of the Two Step Process. However, we would like to express our disappointment on the performance of NGESO and NGET, with regards to this process, in fulfilling their commitments and discharging their duties and obligations as licensees in relation to managing connections to the transmission system since our initial Letter of Support was issued in February 2023.

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<sup>1</sup> [Ofgem support for new Two Step Offer connections process | Ofgem](#)

Whilst we have approved the request, we continue to expect that all other licence obligations shall be adhered to and want to make clear that no formal derogations have been requested by NGENSO or NGET.

## **Background**

In February 2023, Ofgem issued a Letter of Support for a time limited Two Step Process<sup>1</sup>, which allowed NGET and NGENSO to issue connection offers in two steps. Step 1 provided for a connecting party to receive an interim offer, providing a position in the Transmission Entry Capacity (TEC) queue, a point of connection, and the latest year that it will be connected by. Step 2 then provided for the connecting party to receive all the detail it would normally receive as part of a connection offer. There was an expectation that, for most applications, Step 2 would include an improved (i.e. earlier) connection date.

Ofgem's support of that proposal was on the basis that NGENSO and NGET would implement new Construction Planning Assumptions (CPAs) to all parties in the TEC queue, applying a more realistic level of attrition to the TEC queue, and implementing a new modelling approach to batteries and updating assumptions around Transmission Reinforcement Works (TRW). With more realistic assumptions applied to the TEC queue, our understanding and clear expectation was that many connection dates would be improved between Step 1 and Step 2 offers.

Our support was provided with the expectation that the process would be completed GB-wide at the end of the 12-month period in March 2024, at which point all parties would have received a connection offer reflecting the updated CPAs and revised TRW.<sup>2</sup>

## **Ofgem's understanding of progress to date**

It is our understanding that NGENSO and NGET have received 500 applications through the Two Step Process, representing over 150GW of new applications, which is equivalent to around a third of the total transmission pipeline within GB. Despite the implementation of new CPAs, this unprecedented volume of applications is driving connection agreements to include provisions for significant new reinforcement works (enabling works), including new overhead lines (OHL) and new substations. The scale of the reinforcement works identified is more than will be recommended in NGENSO's network plan for Great Britain's electricity transmission system out to 2035, called the 2nd Transitional Centralised Strategic Network

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<sup>2</sup> With the exception of those Connection Applications received in the final three months of the Two Step Process, which were expected to receive detailed offers within three months.

Plan (tCSNP2<sup>3</sup>). If Step 2 offers were produced based on these significant new reinforcements over and above what is included tCSNP2 works, NGET and NGESO have advised that the majority of customers would receive an offer with a connection date later than the connection date in their Step 1 offer, with no improvement on the connections dates in the remainder of offers. This is significantly below our expectations of what the Two Step Process would deliver.

Recognising that this would result in later connection dates in customer offers, NGESO and NGET have proposed a review of enabling works included in Step 2 connection offers which is expected to result in improved connections dates for some customers. NGESO and NGET have requested an extension to the original timeline to carry out this review and issue Step 2 offers accordingly.

### **Ofgem's understanding of the proposals**

Given that it appears that the implementation of the original Two Step Process will not substantially improve the connection dates for the majority of connecting parties, NGESO and NGET have proposed to amend the process such that all OHL enabling works triggered in the step 2 connection offers will be reviewed against the transmission network investments proposed within tCSNP2. NGET will remove from enabling works in the connection offers they provide NGESO any OHL works triggered in the Step 2 offer that are additional to those that will be recommended in NGESO's tCSNP2. In doing this, we understand that the enabling works in the Step 2 connection offers will reflect a more realistic representation of the future network, thereby better aligning the connections process and strategic network planning, which is expected to result in earlier connection dates for some customers than would otherwise be the case. This will assume a greater level of attrition on connection projects, which we expect the relevant licensees to understand to be realistic. NGESO and NGET should regularly review these assumptions, ensuring that their network plan enables the timely connection of customers, whilst maintaining continued compliance with relevant regulatory requirements

Following this new process, NGET and NGESO have advised that 60% of customers are expected to receive a better or aligned connection date compared to their Step 1 offers. Of the 40% still expected to receive a delayed connection date in the Step 2 offer, NGESO will

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<sup>3</sup> The tCSNP2 is a proposed coordinated offshore and onshore network plan for Great Britain's electricity transmission system out to 2035, which comprises the proposed investments required to facilitate the Holistic Network Design Follow-Up Exercise (HND FUE) plan and the Network Options Assessment (NOA) for the development of the National Electricity Transmission System to meet the wider electricity transmission network requirement. Due to be published in March 2024.

work to see if these can be improved. Although this is below our expectations of what benefit the Two Step Process would have delivered at this stage, assuming this revised approach achieves the intended outcomes, it is expected that it will ultimately better align the outcome with our expectation and bring forward the dates of connection for some projects within the queue.

We understand that some Step 2 offers require minimal review and re-work, and will start to be issued to customers before 1 March 2024 . We expect NGESO and NGET to take reasonable steps to issue offers to customers as they are ready, rather than holding back offers until 1 June 2024.

NGESO and NGET requested Ofgem to support two extensions:

1. For applications currently awaiting a Step 2 offer, NGESO and NGET have requested an extension to the deadline by which a customer will receive the Step 2 offer by three months, from 1 March 2024 to 1 June 2024. We expect NGESO and NGET to deliver Step 2 offers to customers as soon as possible within this extension and do not expect all to have to wait until 1 June 2024.
2. For new applications received between 27 November 2023 and 29 February 2024, NGET and NGESO have requested that the clock start date be delayed until the 1 March 2024 in respect of all applications received in that period. In practice this means that there will be a requirement to issue connection offers to all such customers within 3 months from the 1 March 2024, meaning customers would receive offers by 1 June 2024. This is proposed to ensure that customers currently awaiting Step 2 offers are prioritised. In respect of new connection applications received after 27 November 2023 (in relation to which the clock start will be delayed in all cases to 1 March 2024) these will be reviewed sequentially following completion of the outstanding Step 2 offers.

To be clear, for applications received after 1 March 2024, NGESO is obligated under Standard Licence Condition C8.5 and in C8.7b to issue connection offers within 3 months.

### **Wider connection strategy**

We do not see this extension to the Two Step process as an enduring solution to the broad challenge of significant connection delays, but we do consider it a pragmatic decision to take given the current circumstances. Our Connections Action Plan (CAP)<sup>4</sup>, published by

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<sup>4</sup> [Electricity networks: connections action plan - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118111/electricity-networks-connections-action-plan.pdf)

Ofgem and DESNZ in November 2023, sets out a series of actions on different parties to drive reform and reduce connections timescales. We expect NGESO to consider the interactions of this Two Step process with proposals they are bringing forward following the CAP. Specifically, in terms of: (1) the customer experience and potential sequencing of connection offer changes; and (2) how this could be seen to set a precedent before the development and implementation of proposals for enduring connections reform (as indicated in the NGESO Final Recommendations report<sup>5</sup> and subsequent proposals to the Connections Delivery Board).

We are supportive of approaches that seek to align the connections process with strategic network planning, as we laid out in our CAP, action area 3.6. However, we are disappointed that this was not identified by NGET/NGESO and communicated to Ofgem earlier in the Two Step Process, particularly in light of the clear expectation set out in our Letter of Support which provided that, if it appeared that this work would not substantially improve the connection dates for the majority of connecting parties, this must be raised with Ofgem. Licensees must keep Ofgem informed on progress throughout the three month extension and notify Ofgem of any issues as soon as possible.

### **Next steps**

The licensees will communicate with their stakeholders to notify them of the delay in issuing Step 2 Offers, the reasons behind this and the process which will now be followed to allow the licensees to issue Step 2 Offers. We expect this communication to provide a coherent view of how the Two Step Process forms part of the wider connection strategy to improve connection timescales, as outlined above.

The licensees will proceed to issue Step 2 offers to customers as soon as possible, where those offers do not require a further review of enabling works.

The licensees will carry out the proposal as described above, ensuring that all Step 2 offers, and all offers for applications received between 27 November 2023 and 29 February 2024 are issued to customers as early as practicable and in any event no later than 1 June 2024. Following discussions with NGESO and NGET, 3 months is sufficient time to review the Step 2 offers and remove the works that are additional to those that will be recommended in NGESO's tCSNP2.

Licensees will report to Ofgem on their progress in issuing offers on a weekly basis, starting on 8 March 2024. If at any point during the three-month extension period, NGESO and/or

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<sup>5</sup> [Connections Reform | ESO \(nationalgrideso.com\)](https://www.nationalgrideso.com/connections-reform)

NGET identify that the Step 2 offers will not deliver the same or improved dates (as compared with Step 1 offers) for at least 60% of customers, they are required to notify Ofgem without delay.

We want to make clear that our expectation is that NGESO and NGET will meet the new deadlines, and if NGESO and NGET do not meet this obligation, we will consider you in breach of your licence obligations, and we may take enforcement action.

We set out our commitment in the CAP to undertake a full end-to-end review of the incentives, obligations and requirements as they exist on regulated parties, including NGESO and NGET, relating to connections. The purpose of that review is to ensure that these provisions reflect the scale and pace of action required in connections reform, including clearer and tighter licence obligations. The review is now underway and will be informed by evidence and action we see to date, including performance in delivering the Two Step process.

NGESO, collaborating with Transmission Owners, wider industry, Ofgem, and Government, has a lead role in developing enduring reform to the connections process, addressing the fundamental challenges with the current connections process. We stand ready to give strategic direction as required and will continue to work with and support the NGESO in solving these challenges.

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, Strategic Planning and Connections,**

**Strategic Planning, Engineering, and Technology, Ofgem**