

To interested parties

Email: Connections@ofgem.gov.uk

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Update on reform to the electricity connections process following proposals from the ESO

Customers seeking network connections are experiencing significant lead times, with some customers being offered connection dates in the late 2030s. The connections queue now stands at 701 Gigawatts (GW) across transmission and distribution, and could rise to 800GW by the end of 2024.^{1,2} This is more than four times the amount of electricity generation that the UK is predicted to need by 2050. Furthermore, there is uncertainty as to which of these projects will ultimately connect.

It has been almost a year since we published our Open Letter on future reform to the electricity connections process, where we highlighted the challenges faced in the connections process and the expected stages of reform.³ At that time, a number of industry tactical initiatives were in progress but they did not go far enough.⁴ Therefore, in November 2023 working with DESNZ, we published the Connections Action Plan (CAP)⁵, setting out a framework of outcomes, actions, ambitions and new governance processes⁶ to significantly

¹ Connection queue data correct as of 01 March 2024

² [Future Energy Scenarios \(FES\) | ESO \(nationalgrideso.com\)](#)

³ [Open letter on future reform to the electricity connections process | Ofgem](#)

⁴ Including the [ESO five-point plan](#) and [Energy Networks Association \(ENA\) 3-step plan](#) – updated to a 6-step plan in December 2023

⁵ [Ofgem and DESNZ announce joint Connections Action Plan | Ofgem](#)

⁶ The CAP established the Connections Delivery Board (CDB) for strategic direction and delivery oversight and the Connections Process Advisory Group (CPAG) to focus on the implementation of actions.

reduce connection timescales.⁷ The CAP set out six broad action areas for improvement, and identified specific actions for government, Ofgem, ESO and the network companies.⁸

Since the start of 2023, 17GW of electricity projects have been offered earlier grid connection dates as a result of process improvements made by ESO and ENA. In the long term, those actions are forecast to deliver benefits for around 100GW of projects. Connection projects now have to meet new queue management milestones to show clear progress or risk being removed from the queue⁹, and we have raised the bar on entry to the connections queue to prevent speculative applications that are unlikely to be delivered.¹⁰

Despite initiatives to date, the queue has continued to grow at an unprecedented rate, with an average of over 40GW (across transmission and distribution) being added every month. In our Multiyear Strategy we are clear we must go further in reforming the entire connections queue, ensuring that it prioritises viable, ready-to-connect projects that will deliver net zero and unlock economic growth.¹¹

Therefore, we welcome the ESO's recent update to their Connections Reform project to achieve a 'First Ready, First Connected' approach.¹² We see this as having the potential for achieving the vision we commit to in the CAP.

The proposal

The ESO's proposal builds on their December 2023 Final Recommendations Report.¹³ These final recommendations were informed by a formal consultation in June 2023, which proposed a two-gate process for new applications, with an annual application window to reach Gate 1 and 'readiness' criteria to reach Gate 2.¹⁴ Only projects that meet the Gate 2 criteria will be provided with a queue position. This week's update by ESO (a proposal termed 'Target Model Option 4' or 'TMO4+') is to apply this process to **both new applications and existing users**.¹⁵

⁷ To be measured by reducing average time between requested and offered connection dates from 5 years to 6 months for transmission connections.

⁸ 1. Raise entry requirements; 2. Remove stalled projects; 3. Better utilise existing network capacity; 4. Better allocate available network capacity; 5. Improve data and processes, and sharpen obligations and incentives; 6. Develop longer term connections process models aligned with strategic planning and market reform.

⁹ This relates to CAP action area 3.2 Remove Stalled Projects. Implemented by queue management code mod CMP376: [CMP376: Inclusion of Queue Management process within the CUSC | Ofgem](#)

¹⁰ This relates to CAP action area 3.1 Raise Entry Requirements. Implemented by landowner Letter of Authority cod modification CMP427: [CMP427: update to the transmission connection application process for onshore applicants | Ofgem](#).

¹¹ [Ofgem's multi year strategy](#)

¹² [Connections Reform Phase 3 TMO4+ \(nationalgrideso.com\)](#)

¹³ [Connections Reform – Final Recommendations Report December 2023 \(nationalgrideso.com\)](#)

¹⁴ [June 2023 Connections Reform Consultation \(nationalgrideso.com\)](#)

¹⁵ ESO presented this proposal to CPAG on 7 March 2024 and the CDB on 21 March 2024.

The ESO's initial analysis indicates that the approach could potentially more than halve the size of the queue, enabling earlier connection dates for projects that meet the Gate 2 criteria.

Ofgem's position

Although the proposal remains at an early stage, with more detailed consideration of the benefits and risks of this approach required, the ESO's TMO4+ proposal has the potential to significantly contribute to the achievement of the CAP objectives and overall vision.¹⁶ It could do this predominantly by establishing a clear process to accelerate connections that are ready to connect. We believe the TMO4+ proposal has the potential to deliver improvements in all CAP action areas; we set out our expectations for how it could do this in Annex A.

We support the ESO's intention for this proposal to take effect from 1 January 2025 to meet the expectations within the Chancellor's Spring Budget Statement,¹⁷ for a *"new stringent connections process from January 2025 so that projects are only offered a specific connection date when they are ready to progress."*

In isolation, we consider it unlikely this proposal will fully achieve the CAP objective. Progress will continue to be needed on other actions within the CAP across all action owners, reprioritising as required. To improve connection dates, we expect to see a better connection process and for transmission owners to more efficiently deliver the network infrastructure needed to deliver these assets. Therefore, the ongoing work with ESO, network companies, government and others, to accelerate network delivery under the Transmission Acceleration Action Plan, along with our regulatory price controls, is crucial.

Our view of next steps

We welcome the TMO4+ proposal as an ambitious idea with the potential to effect some of the changes required, while recognising that it must be developed alongside a thorough assessment of risks and benefits, and a robust plan for regulatory and operational implementation. We will monitor the proposal as it develops to assess if this goes far enough, and consider what further measures are appropriate if needed. We will consider any enabling changes to the regulatory framework on the merits once received. We have

¹⁶ The CAP defines the vision and objective in section 1.3, noting that these are underpinned by the supporting principles in the Open Letter.

¹⁷ [Spring Budget 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/spring-budget-2024)

set out further expectations for how the proposal should be developed and decided on in Annex B.

We encourage all interested stakeholders to share their views on the TMO4+ proposal with the ESO and engage with the change process in the coming months. The ESO update includes a list of opportunities to engage with them on their proposal and there will also be formal consultations for all code and licence changes proposed.

Stakeholder views

Although the ESO has not published a formal consultation at this stage, we wanted to take this opportunity to welcome views from stakeholders on the update presented in this letter. Specifically, we are interested in views from stakeholders on the following:

1. Our position (including reference to Annex A)
2. Our view of next steps (including reference to Annex B)
3. Whether this proposal goes far enough:
 - a. Are there any other proposals you would like to see brought forward as part of, or alongside, this reform to achieve the aim of significantly reduced connection timescales?
 - b. What obligations and incentives for the ESO and network companies would you like to see introduced alongside, or a part of, the TMO4+ proposal, to ensure the intended outcomes of better customer experience and timely connection dates are delivered? (See Annex A, point CAP 3.5)
 - c. Do you believe additional criteria beyond readiness are needed to deliver (i) security of supply; (ii) system efficiency; (iii) strategic network plans; and (iv) the energy mix GB needs to meet net zero? (See Annex A, point CAP 3.6)

Please respond by emailing connections@ofgem.gov.uk no later than **Tuesday 7 May 2024**. We will publish all responses unless they are clearly marked as confidential.

Yours faithfully

Peter Bingham

Director, Strategic Planning, Engineering and Technology

Annex A: Our expectations of how this proposal should deliver improvements in all CAP action areas

For each of the CAP action areas, we summarise the CAP stated desired outcomes and how we expect the TMO4+ proposal to be developed to deliver these. Page references are in relation to the ESO update:¹⁸

- **CAP 3.1 - Raise entry requirements:** The desired outcomes are to reduce speculative connection applications and to reduce the number of unviable projects entering the queue. We expect the TMO4+ proposal to achieve these outcomes, for example by applying the right entry requirements at Gate 1 and Gate 2, such that only indicative offers would be provided until the Gate 2 criteria are met. In line with the CAP, we expect such entry requirements could include a combination of evidence of project readiness and/or financial charges in the form of fees, securities, etc. We support that ESO commits to *“considering use of financial instruments at Gate 1 and Gate 2 to encourage only viable projects to enter and remain in the connections process.”* (page 4).
- **CAP 3.2 - Remove stalled projects:** The desired outcomes are to prevent stalled projects from unduly delaying viable projects (ie via the use of queue management) and to release unutilised capacity. We expect the TMO4+ proposal to achieve these outcomes by preventing stalled projects blocking capacity from being utilised by viable projects (either by holding a queue position or holding more capacity than is needed). For example, by applying appropriate conditions to retain a queue position beyond Gate 2. As above, we expect such ‘hold’ requirements to include an appropriate combination of evidence of project progression and/or financial charges, eg fees, securities, etc. We consider that it is still useful to remove stalled projects from Gate 1 if these projects are used to inform anticipatory network build (see below) – in which case we expect the proposal to set conditions required to hold a Gate 1 position, for example a time limit and/or financial holding charge.
- **CAP 3.3 - Better utilise existing network capacity:** The desired outcome is that connections are accelerated, either by optimising: (1) the use of available network assets; and/or (2) the method for network modelling to inform connection offers (ie construction planning assumptions - CPAs). We expect the TMO4+ proposal to achieve these outcomes through considering how Gate 1 projects can inform anticipatory network build (eg via a more coordinated and efficient approach to connection design and therefore capacity utilisation) and how the use of application

¹⁸ [Connections Reform Phase 3 TMO4+ \(nationalgrideso.com\)](https://www.nationalgrideso.com)

windows and gates enable network assets to be utilised in the optimal way. As expected from this CAP action area, we support that ESO commits to continuing parallel work on *"Reassessing and aligning network modelling assumptions, particularly around the depth of enabling works required for connections"* and, with Ofgem support *"Stimulating competition and contestability for design and delivery of connections infrastructure"* (page 5).

- **CAP 3.4 - Better allocate available network capacity:** The desired outcome is to move towards an approach to capacity allocation based on readiness, maintaining appropriate opportunities for technologies with varying lead times. We expect the TMO4+ proposal to achieve this outcome by recommending criteria for readiness which ensure equitable outcomes across all generation, demand and storage projects and by including a clear process to accelerate connections that are ready to connect. We expect the ESO to consult with industry to ensure that the proposed readiness criteria are transparent and a fair and equitable measure of a project's readiness, taking into consideration differences between types of technologies and projects.
- **CAP 3.5 - Improve data and processes, and sharpen obligations and incentives:** The desired outcome is a better customer experience and timely connection dates by (1) ensuring clear, consistent, streamlined and transparent processes, (2) adequate data sharing across transmission and distribution and (3) a strong framework of incentives, obligations and requirements. We expect the TMO4+ proposal to improve the customer experience and to consider how this can be consistent between transmission and distribution. We expect ESO to oversee the necessary coordination across transmission and distribution (ie working with ENA) throughout options development and implementation (meaning both regulatory and operational implementation). We will consider the expected impacts and outcomes of the TMO4+ proposal alongside other reform initiatives in progress on regulated parties as part of our CAP action to undertake an end-to-end review of the incentives, obligations and requirements, relating to transmission and distribution connections.
- **CAP 3.6 - Develop longer term connections process models aligned with strategic planning and market reform:** The desired outcome is a connections process aligned with strategic network plans and electricity market reforms. We expect the TMO4+ proposal to contribute to this outcome in that ESO considers TMO4+ *"futureproof in that there is the option to further develop Gate 2 criteria to align with GB future energy needs"* and commits to continue to work with DESNZ,

Ofgem and industry stakeholders including to align with the forthcoming Strategic Spatial Energy Plan (SSEP) and to explore criteria “to help ensure the resilience and operability of energy networks and support their efficient transition to Net Zero” (page 5).

Annex B: Our expectations for how the proposal is developed and decided upon

Ofgem welcomes the TMO4+ proposal and ESO's intention to develop it further as their primary option for Connections Reform. We have laid out below a number of points that we expect the ESO to consider when developing the TMO4+ proposal, acknowledging the need for appropriate support from industry during the code modification process. We expect the information below to be continually reviewed, updated and communicated to Ofgem and other relevant parties:

1. To ensure this proposal has a clear statement of forecasted **benefits** in line with the outcomes of the CAP (which are repeated above).
2. To identify and understand the **risks** associated with this proposal (including legal risks) and develop effective mitigations as far as possible.
3. To evidence through a clear **impact assessment** that the proposal will achieve forecasted benefits.
4. To ensure the details of the proposal are developed through **consultation** with network owners, wider industry and connection customers.
5. To identify and recommend any **regulatory and legislative changes** required to enable or mitigate risks associated with the proposal.
6. To follow (and share) a robust **options development and implementation plan**, in line with the expectations set out in the Chancellor's statement, whilst ensuring appropriate consultation, consideration and evidence-based decision making, alongside time for regulatory changes (ie codes and licences) and time for process implementation and operational go-live.
7. To consider what **contingency** options to bring forward at pace if this proposal does not look to deliver:
 - a. the expected timeframe – 1 Jan 2025, as per Chancellor announcement; and/or
 - b. the expected benefits – we expect the ESO to monitor the proposal as it develops to assess whether it will go far enough to meet the desired objectives – and if not, to recommend further measures to meet these.
8. To consider how to pragmatically **prepare for the reforms and manage the expectations** of existing and new customers in advance of the implementation date, particularly the connection offer terms customers hold or expect to hold. We anticipate that ESO will engage with customers appropriately, communicating at the right time about all the changes they will experience as result of this process change.