

Deborah Spencer
Chair
STC Panel

Email: connections@ofgem.gov.uk

Date: **1 May 2024**

Dear Deborah,

Decision on urgency for the System Operator Transmission Owner Code (STC) modification proposals CM095: 'Implementing Connections Reform' and CM096: 'Application of Gate 2 Criteria to existing contracted background'

On 19 April 2024, National Grid ESO (the 'Proposer') raised STC¹ modification proposals CM095 and CM096 (the 'Proposals').² On 24 April the STC Panel convened and following the Panel meeting, we received a request from the STC Panel on 25 April 2024 that CM095 and CM096 be treated as urgent modification proposals.³

This letter sets out our decision that CM095 and CM096 be progressed on an urgent basis.

Background

In November 2023, we published with government our joint Connections Action Plan ('the CAP'), which sets out a framework of actions and further ambitions needed to tackle the growing delays customers are experiencing when seeking network connections. It included an objective to deliver connection offers within 6 months of the connection date requested by 2025.⁴

¹ [System Operator Transmission Owner Code \(STC\)](#), 18 January 2024.

² [CM095 - Implementing Connections Reform | ESO \(nationalgrideso.com\)](#); [CM096 Application of Gate 2 Criteria to existing contracted background | ESO \(nationalgrideso.com\)](#).

³ References to the "Authority", "Ofgem", "we", and "our" are used interchangeable in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

⁴ [Ofgem and DESNZ announce joint Connections Action Plan | Ofgem](#) at page 10.

The Proposer has since set out its updated recommendations for connections reform, known as the 'TMO4+' proposals: these aim to reform the connections process by introducing a two-gate process for new applications, with an annual application window to reach Gate 1 and readiness criteria to reach Gate 2.⁵ The intention is to apply this new process to both new applications and existing projects in the queue, and for it to be in place by 1 January 2025 – in line with the Chancellor's commitment in the Spring Budget Statement.⁶ We recently set out our expectations for the TMO4+ proposal in an open letter.⁷

Urgency request

The Proposals were raised to make the necessary regulatory changes to enable implementation of the TMO4+ proposal. The Proposer explained why it was requesting urgency, referencing one of the three criteria set out in Ofgem's Guidance on Code Modification Urgency Criteria (the 'Guidance').⁸ It stated that the defects that the Proposals are seeking to correct are current issues that if not urgently addressed will have "a *significant commercial impact on parties, consumers or other stakeholder(s)*" – in line with criterion (a) of the Guidance. The Proposer seeks urgent treatment for both modifications in parallel in order to have "*combined significant impact from the go live date of 1 January 2025*", and to ensure that TMO4+ can be delivered in 2025.

The Proposer has suggested that the transmission and distribution connection queue is anticipated to exceed 800GW by the end of 2024 (if maintaining current rate of growth). It argues that without urgent intervention and reform to achieve TMO4+ by early 2025, a 1000GW+ queue could be an eventual outcome. Whereas if the interventions set out in the TMO4+ modifications are achieved, they could "*more than halve the size of the queue*".

The Proposer concludes that urgent timelines for the Proposals would enable ESO to prioritise viable and ready to progress projects (quickly removing speculative applications from the queue in the process) faster, and present the best chance of reducing average time between offered and requested connection dates.

The Proposer tabled these two STC code modifications alongside two further CUSC code modifications (CMP434 and CMP435)⁹ which aim to equally facilitate the TMO4+ proposals in the CUSC.

⁵ [Connections Reform | ESO \(nationalgrideso.com\)](#).

⁶ [Spring Budget 2024 speech - GOV.UK \(www.gov.uk\)](#).

⁷ [Open Letter: Update on reform to the electricity connections process following proposals from ESO | Ofgem](#).

⁸ [Ofgem Guidance on Code Modification Urgency Criteria | Ofgem](#).

⁹ [CMP434 Implementing Connections Reform | ESO \(nationalgrideso.com\)](#); [CMP435 Application of Gate 2 Criteria to existing contracted background | ESO \(nationalgrideso.com\)](#).

Panel View

At the STC Panel meeting on 24 April 2024, the Panel unanimously agreed to recommend to Ofgem that CM095 and CM096 should be progressed as urgent modification proposals.

Panel acknowledged that the alignment of the cross-code modification meetings would be a good use of industry time. A Panel Member queried why CM096 was not raised at a later date once the solution for the other urgent modification had been refined. The Proposer advised that raising all urgent modifications together would be a better use of industry time and allow solutions for all urgent modifications to be completed together.

Panel also acknowledged that there would need to be variations to the usual code ways of working and offered to support the Code Administrator throughout the process.

Our decision

In reaching our decision on the urgency of CM095 and CM096, we have considered the details within the Proposals, the justifications for urgency, and the views of the STC Panel. We have also assessed the request against the urgency criteria set out in our published guidance.¹⁰

Our guidance sets out that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed, may cause:

- a) a significant commercial impact on parties, consumers or other stakeholder(s);
or
- b) a significant impact on the safety and security of the electricity and/or gas systems; or
- c) a party to be in breach of any relevant legal requirements.

We set out in our recent open letter dated 19 April 2024 that we believe the Proposer's TMO4+ proposals (which code modifications CM095 and CM096 are the products of), if approved, have the potential to achieve the outcomes we set out in the CAP.¹¹

Without prejudice to our eventual decision on these code modifications (expected in late 2024), we agree with ESO's justification for urgency. We deem that these Proposals are linked to an imminent or current issue: the connections process and *first-come, first-served*

¹⁰ [Ofgem Guidance on Code Modification Urgency Criteria | Ofgem.](#)

¹¹ [Open Letter: Update on reform to the electricity connections process following proposals from ESO | Ofgem.](#)

arrangements are no longer fit for purpose, which has led to a queue across Transmission and Distribution of over 700GW. If this issue is not urgently addressed, this may cause a significant commercial impact on parties, consumers or other stakeholder(s), as per criterion (a), as is set out below:

- The *first-come, first-served* arrangements (ie the status quo) result in any new viable projects seeking to connect being held up behind any speculative, stalled or unviable projects still remaining in the 700GW+ connection queue (meaning any stalled projects which have not yet been removed due to missing their queue management milestones)¹².
- Further, it is forecasted that by the end of 2024 the connection queue will have grown to approximately four times the amount of electricity generation capacity that GB is predicted to need by 2050. This would only lead to the exacerbation of the existing problems caused by the *first-come, first-served* arrangements since the continued growth of the queue means any new genuine projects are even further delayed from eventual connection than they would otherwise be.
- Finally, the current size and make-up of the connections queue is not a realistic representation of projects that are ready to connect or are required to achieve a net zero electricity system. This distortion impacts the ability of ESO and Transmission Owners ('TOs') to effectively allocate scarce capacity and make accurate decisions as to the network build required to accommodate new connections, which could also result in additional costs through suboptimal network investment and rising congestion management costs.

We consider code modification proposals seeking urgency on a case-by-case basis.¹³ While acknowledging that one of these modifications (if approved) would affect existing contracts, we nonetheless believe that enabling urgent timelines for these code modifications is necessary to ensure due and timely consideration of the current issue, and to ensure that reforms are brought forward which facilitate acceleration for the most viable and ready to connect projects, at the earliest possible opportunity. If these code modifications do not proceed on an urgent basis, and the queue continues to grow at its present rate, then the ability of the networks to accommodate timely new connections for ready projects – and therefore GB's progress to net zero – could be at risk.

¹² [CMP376: Inclusion of Queue Management process within the CUSC | Ofgem.](#)

¹³ [Ofgem Guidance on Code Modification Urgency Criteria | Ofgem.](#)

We therefore consent to these Proposals being treated as urgent, and we consent to the CUSC modifications (CMP434 and CMP435) also being treated as urgent. We will publish our decision on the CUSC modifications separately, on the same date as this letter.

We agree the Proposals should follow the urgent timetables set out below, based on our current understanding of the Proposals as drafted to date. We consider that this timeline strikes a balance between sufficient time for proposal development and industry consultation, while recognising the urgency of the situation and facilitating implementation of 1 January 2025 (if approved).

Our understanding is that licence modifications are likely to be required to support the solutions brought forward. As such, the below timelines seek to take account of the associated licence modification process, while ensuring the proposed implementation date of 1 January 2025 could be met in the event the Proposals are approved.

Whilst we have set the date for Authority decision as 6 November 2024, we will endeavour to publish our decisions on the Proposals at the earliest opportunity, and as soon as is reasonably practicable following receipt of the Final Modification Reports ('FMRs'). We may consider providing communications to stakeholders around our minded-to positions on decisions ahead of making them formally, recognising the need for transparency for industry over the changes that are coming in order that work can proceed in preparation.

We encourage the Workgroup to be mindful of the condensed timelines and to progress the Proposals as efficiently as possible, whilst giving full due consideration of the Proposals and their implications. Any delay in delivery of the FMRs to the Authority has the potential to jeopardise the proposed implementation date.

CM095¹⁴

Process	Date
Modification presented to Panel	24 April 2024
Workgroup Nominations (4 Business Days)	26 April 2024 to 02 May 2024
Ofgem grant Urgency	01 May 2024 (5pm)
Workgroup 1	07 May 2024
Workgroup 2	14 May 2024
Workgroup 3	16 May 2024
Workgroup 4	22 May 2024
Workgroup 5	28 May 2024
Workgroup 6	05 June 2024
Workgroup 7	11 June 2024

¹⁴ See CM095 Request for Urgency letter to the Authority at: [CM095 - Implementing Connections Reform | ESO \(nationalgrideso.com\)](https://www.nationalgrideso.com).

Workgroup 8	13 June 2024
Workgroup 9	18 June 2024
Workgroup 10	20 June 2024
Workgroup Consultation (8 Business Days)	25 June 2024 to 05 July 2024
Workgroup 11	16 July 2024
Workgroup 12	18 July 2024
Workgroup 13	24 July 2024
Workgroup 14	30 July 2024
Workgroup 15	06 August 2024
Workgroup report issued to Special Panel (2 Business Days)	13 August 2024
Panel sign off that Workgroup Report has met its Terms of Reference	16 August 2024
Code Administrator Consultation (9 Business Days)	19 August 2024 to 02 September 2024
Draft Final Modification Report issued to Special Panel (2 Business Days)	09 September 2024
Special Panel undertake recommendation vote	13 September 2024
Final Modification Report issued to Panel to check votes recorded correctly	13 September 2024 (2pm-4pm)
Final Modification Report issued to Authority	13 September 2024 (by 5pm)
Authority Decision	6 November 2024
Date of Implementation (if approved)	01 January 2025

CM096¹⁵

Process	Date
Modification presented to Panel	24 April 2024
Workgroup Nominations (4 Business Days)	26 April 2024 to 02 May 2024
Ofgem grant Urgency	01 May 2024 (5pm)
Workgroup 1	07 May 2024
Workgroup 2	15 May 2024
Workgroup 3	23 May 2024
Workgroup 4	29 May 2024
Workgroup 5	04 June 2024
Workgroup 6	12 June 2024
Workgroup Consultation (8 Business Days)	25 June 2024 to 05 July 2024
Workgroup 7	16 July 2024
Workgroup 8	19 July 2024
Workgroup 9	23 July 2024
Workgroup 10	31 July 2024
Workgroup 11	06 August 2024
Workgroup report issued to Special Panel (2 Business Days)	13 August 2024
Panel sign off that Workgroup Report has met its Terms of Reference	16 August 2024

¹⁵ See CM096 Request for Urgency letter to the Authority at: [CM096 Application of Gate 2 Criteria to existing contracted background | ESO \(nationalgrideso.com\)](#).

Code Administrator Consultation (9 Business Days)	19 August 2024 to 02 September 2024
Draft Final Modification Report issued to Special Panel (3 Business Days)	09 September 2024
Special Panel undertake recommendation vote	13 September 2024
Final Modification Report issued to Panel to check votes recorded correctly	13 September 2024 (2pm-4pm)
Final Modification Report issued to Authority	13 September 2024 (by 5pm)
Authority Decision	6 November 2024
Date of Implementation (if approved)	01 January 2025

For the avoidance of doubt, in granting these requests for urgency, we have made no assessment of the merits of the Proposals and nothing in this letter in any way fetters our discretion in respect of the Proposals.

If you have any comments or questions about this letter, please contact:

connections@ofgem.gov.uk.

Yours sincerely,

Liam Cullen

Senior Policy Manager, Electricity Connections

Duly authorised on behalf of the Authority