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Dear Peter

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

Thank you for the opportunity to respond to Ofgem's Open Letter about the future reform to the electricity connections process following proposals from the ESO. This response is submitted on behalf of ScottishPower Renewables (SPR). Our networks business, SP Energy Networks (SPEN), is responding separately from its perspective as an electricity transmission owner (TO).

SPR is a leading developer of renewable energy generation, with over 3.1 GW of operational wind capacity across over 40 sites using onshore wind, offshore wind, solar and battery technologies. SPR has ambitious growth plans to expand its existing onshore wind portfolio and to invest in large new scale solar deployment and innovative grid storage systems including batteries. Building on our 714 MW East Anglia ONE offshore wind project, we have ambitious offshore wind development plans, with work underway to take forward offshore wind projects comprising an East Anglia Hub, as well as seabed rights to develop three new offshore windfarms off the coast of Scotland with a total capacity of 7GW as part of The Crown Estate Scotland's ScotWind Leasing.

ScottishPower is fully supportive of the UK's ambitious but deliverable onshore and offshore targets for 2030 and 2050, which are pivotal in delivering upon the Government's decarbonisation ambitions. However, renewable generation developers often end up in an unacceptably long grid connection queue with connection dates well after what is requested. These current outcomes pose undue risk and costs for developers, adding investment uncertainty to renewable generation projects, thereby increasing the likelihood of Net Zero and associated decarbonisation targets not being achieved.

Following the recently published update by the ESO setting out its proposals for a "first ready, first connected" approach, as per target model 4 (TMO4+), we welcome the publication of the Ofgem Open letter, seeking stakeholder views on TMO4+. That said,

we consider the three-week consultation period is insufficient to fully consider the substantive and complex issues associated with the TMO4+ proposal and does not allow time for consideration of key details (eg gate criteria) that will be developed in the code modification process expected this summer. In this context, we would stress that the views set out in our response should not be regarded as definitive and exhaustive and may be subject to change as the TMO4+ proposal is developed.

Our views on the specific questions raised in the Open Letter are set out in Annex 1 to this letter we would highlight the following points:

Importance of alignment with strategic planning and priorities

A key outcome of the TMO4+ proposals must be that strategic energy priorities such as offshore wind generation are able to connect by their requested dates if they meet their readiness criteria. A key enabler of this outcome is the timely delivery of transmission infrastructure including anticipatory investment, which necessitates the alignment of TMO4+ with strategic planning processes such as the central strategic network plan (CSNP) and strategic spatial energy plan (SSEP). Such an approach will ensure connection timelines align with and take account of seabed leasing rounds, routes to market such as contracts for difference (CfDs), and planning milestones which impact offshore wind investment timescales. The expectation must be that the TMO4+ Gate 2 criteria do not impose delay on offshore wind generation projects. Similar considerations will apply to other strategic energy priorities.

Transparency and foresight of the connection process and criteria

TMO4+ will follow on from recent reforms such as queue management (QM). In the context of such significant changes, for TMO4+ to be effective from its target implementation in January 2025, current and future connecting parties must have clarity on the readiness criteria and how TMO4+ will be applied to enable them to connect on time or be removed from the queue. This clarity should help deter unviable projects from applying to connect or blocking viable projects. Another important improvement in this respect would be to have transparency regarding the current connection queue. This will aid the development of future projects by identifying areas where QM has released capacity.

Equity of outcomes for transmission and distribution connections

While TMO4+ will address transmission connections it is important to ensure it is designed to ensure distribution connectees are also able to connect by their requested dates. A key feature in this respect is to ensure TMO4+ allows distribution network operators (DNOs) to book required transmission network capacity and if required trigger anticipatory investment.

Holistic Network Design (HND) Connections

It is important that the design of TMO4+, including transition arrangements, takes account of the long timescales many connectees are experiencing in getting to final signed connection agreements which is outside their control. In many cases progression to a final agreement has been considerably slower than would have been reasonably expected.

If you wish to discuss any aspect of our response, please do not hesitate to contact me or my colleagues Haren Thillainathan (hthillainathan@scottishpower.com) or Deborah MacPherson (deborah.macpherson@scottishpower.com)

Yours sincerely,

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Director of Regulatory Policy

**UPDATE ON REFORMS TO THE ELECTRICITY CONNECTIONS PROCESS
FOLLOWING PROPOSALS FROM THE ESO - SCOTTISHPOWER RESPONSE**

1. Ofgem position (as referenced in Annex A of the open letter)

In Annex A to the open letter Ofgem sets out its expectations of how TMO4+ will deliver improvements against all six action areas of the joint Ofgem and Government Connections Action Plan (CAP). We consider each of these action areas in turn below.

CAP 3.1 – Raise Entry Requirements

We fully support the introduction of reform initiatives aimed to reduce the number of speculative electricity transmission connection applications from unviable projects which secure capacity in the GB connection queue. TMO4+ as presently proposed by the ESO would introduce two “gates” for connection applications to progress through before securing a guaranteed connection date. The suggestion from the ESO is that projects would be able to proceed beyond Gate 1 if they can demonstrate a (yet to be defined) level of readiness or provide some form of financial commitment. We believe that Gate 1 should be designed to provide the correct balance of incentives on prospective connectees to ensure they are committed to make timely progression to Gate 2. In this context, we agree it is reasonable for progress through Gate 1 to be timebound, but we would caution that the application of financial instruments in this respect should not pose a barrier to entry and should only be exercised where the project is demonstrably not proceeding.

CAP 3.2 – Remove Stalled Projects

We have been supportive of the implementation of Queue Management reforms (CMP376) designed to give the ESO and TOs more power to remove projects from the connections queue that are deemed ‘stalled’. Ofgem’s expectation is that the QM reforms do not go far enough and that TMO4+ will be expected to deliver further QM measures available to the ESO. In this context, we believe the key to the success of TMO4+ will be for all parties to have clarity and transparency regarding:

- the interaction of TMO4+ and CMP376, whether TMO4+ supersedes or complements CMP376 and the resultant set of QM tools available to the ESO and TOs from January 2025;
- the criteria for being able to pass through Gate 1 and then Gate 2;
- the process and timescales for receiving committed connection dates post Gate 2 and the exceptional circumstances for their revision;
- the requirements and criteria for retaining a position in the queue throughout the connection journey from initial application to energisation;
- procedures for removal from the queue.

Given the intention of TMO4+ to enable the modelling of anticipatory network investment needs of post-Gate 1 projects, we agree it is critical that speculative applications from unviable projects are deterred ahead of Gate 1. This reinforces the importance of having clear and

transparent criteria as listed above to ensure genuinely unviable projects do not get past Gate 1 and distort the modelling of anticipatory investment.

CAP 3.3 – Better Utilise Existing Network Capacity

We agree with Ofgem’s expectation that Gate 1 projects (subject to effective QM) should inform network modelling and identification of anticipatory network investment. If implemented properly, we would expect, for example, that offshore wind generation projects should not be delayed by the necessary transmission infrastructure not being delivered on time. Achievement of this outcome requires not only the enhancement of network modelling assumptions and coordinated connection design but also greater alignment with strategic planning so that key factors such as the location and timing of offshore wind generation are sufficiently prioritised and considered. We would expect this modelling to be part of or otherwise be a key input to the centralised strategic network plan (CSNP) and to draw on the expected strategic spatial energy plan (SSEP)

While we agree that modelling of transmission connection infrastructure could promote competition and contestability in the design and delivery of such infrastructure, we would expect this option to be exercised only where a robust impact assessment shows demonstrable and material consumer benefits including timely delivery.

CAP 3.4 – Better Allocate Available Network Capacity

We fully agree that the desired outcome of TMO4+ should be to deliver accelerated connections via the allocation of network capacity based on “readiness” to connect, with equitable outcomes across technology types with different lead times, and across generation, demand, and storage.

We believe a key outcome here must be to ensure that acceleration of a particular connection does not delay another connecting user if the latter continues to make timely progress through Gates 1 and 2 and holds a place in the queue. Indeed, it would be a perverse outcome and to the detriment of consumers if a viable project, key to achieving Net Zero, eg offshore wind generation, was delayed beyond its requested connection date. This requires that not only are the ESO’s “readiness criteria” transparent but also how it applies those criteria to accelerate connections and any associated impacts for other users. Furthermore, as noted in our comments on CAP 3.3, it is key that strategic planning, in particular the spatial strategic energy plan (SSEP), is a key input and aligned with the modelling of Gate 1 projects and anticipatory investment. Under such an approach, network modelling would be able to fully factor in current and future seabed lease locations and routes to market and key planning milestones.

CAP 3.5 – Improve Data and Processes, and Sharpen Obligations and Incentives

It is important that the impact on embedded customers and DNOs is fully understood and considered in the development of the TMO4+ proposals. We welcome any solution that is developed to deliver whole system benefits and consistency across transmission and distribution to improve the customer and project journey. Whilst DNOs are represented in the discussions and development of the proposals, TMO4+ should not be implemented unless the necessary processes and resources are in place with the DNOs to ensure their customers are not disadvantaged. An important outcome for distribution-connected customers is that they

have equitable outcomes relative to their transmission-connected counterparts in being able to receive their requested connection dates where they meet the readiness criteria. We expect the ESO to continue to work closely with DNOs and the ENA on any future reform initiatives and engage with stakeholders in their development. A key consideration for TMO4+ is how DNOs, TOs and the ESO interact and coordinate to ensure distribution connectees are not unduly restricted or delayed due to constraints on transmission network capacity. This will require that DNOs are able to secure required capacity through arrangements that are aligned with TMO4+.

With regards to data, we believe it is important that the ESO commits to a transparent and comprehensive publication of the GB connection queue covering both transmission- and distribution-contracted schemes with disclosure of the capacity recovered through QM. Such data, together with transparency and foresight of the readiness criteria and reformed connection process, will help credible and viable projects successfully manage their connection applications through the queue.

CAP 3.6 – Develop Longer Term Connections Process Models Aligned with Strategic Planning and Market Reform

See our comments on CAP 3.3 and 3.4 on the importance of aligning TMO4+ and SSEP. It will be important for any future market design reforms such as those being contemplated under REMA to be developed in a way that complements the arrangements and outputs of TMO4+ and SSEP.

2. Ofgem’s view of next steps (including reference to Annex B)

We comment on specific expectations of the eight listed by Ofgem in Annex B to the open letter as follows:

4) To ensure the details of the proposal are developed through consultation with network owners, wider industry and connection customers.

This is a critical factor in ensuring the developed TMO4+ modification proposals are effective and can be implemented as quickly as possible. However, the experience to date on the Connection Process Advisory Group (CPAG) since its inception in January 2024 is that it has been challenging to input into the development of TMO4+ up to the CUSC modification proposals being raised. The CPAG has invariably had very short notice of the development of the various features of TMO4+ details, typically members receiving several detailed and substantial papers from the ESO with only days’ notice and limited time allocated to each paper for discussion during CPAG meetings. The consultation process must be dramatically improved in the related CUSC modification development workstreams running over this summer, failure to do so will risk legal and regulatory challenge of the final proposals.

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.

A key consideration here is having clarity on the final details of TMO4+ in particular the aspects listed in our comments on CAP 3.2 above. A particular sensitivity for onshore connections will be the transition from current QM milestones to satisfying Gate 2 criteria to secure a place in the queue, this along with other key considerations should be taken into account in setting the transitional period ahead of TMO4+ implementation. Furthermore, the long timescales many connectees are experiencing in getting to final signed connection agreements through the Holistic Network Design (HND) process which is outside their control must be accommodated within the TMO4+ arrangements. .

Ultimately, we would reiterate the legitimate expectation and a good sense check of TMO4+ implementation must be that Gate 2 criteria however defined do not impose delay to connection dates for strategic priorities such as offshore wind generation.

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?

We consider TMO4+ constitutes an ambitious package of reforms that will be challenging to implement by January 2025 and therefore we do not believe the ESO should add to these proposals. In our response to question 1 above, we identified a number of processes that should align and feed into TMO4+:

- strategic planning – central strategic network planning (CSNP) and strategic spatial energy plan (SSEP);
- routes to market, eg CfDs, capacity markets, system operability and flexibility contracts etc;
- planning and construction timescales;
- distribution and transmission coordination processes.

b. What obligations and incentives for the ESO and network companies would you like to see introduced alongside, or as 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)?

Whilst we are supportive of reform which will bring about improved outcomes for customers developing and connecting projects, the focus to date has been on strengthening the entry requirements for new projects and the introduction of tools to measure the timely progression of projects working towards construction. Where projects fail to do so, the ESO (and TOs) have the ability to act via termination of projects. For several years now, customers have been faced with lengthy delays in delivery timescales of key enabling works by TOs with no incentive/penalty regime to mitigate TO-led delays. We believe that to ensure the timely delivery of key enabling and infrastructure works, a balanced approach is required which incentivises project delivery by both TOs and customers. While Ofgem's accelerating strategic transmission infrastructure (ASTI) was a welcome initiative to approve strategic transmission network investment, Ofgem should ensure this is embedded in the RIIO regulatory framework so that future anticipatory investment identified by the ESO's modelling receives near automatic regulatory approval with significantly longer lead times than delivered by ASTI.

It is also important that there is close coordination between transmission and distribution networks to ensure capacity constraints on either side of the interface do not delay respective connection applications. In this context, TMO4+ should include arrangements to enable DNO requirements of transmission capacity to be considered including any required anticipatory investment. Reciprocal arrangements will also be required in equivalent distribution connection and planning processes.

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 CAP3.6)?

(ii) System Efficiency

System efficiency may be a factor prioritising certain projects for accelerated connections given their contribution to network operability and flexibility. These services include, but are not limited to, constraint management (storage, hydrogen electrolyzers), stability services and system restoration services.

It is important that such system efficiency criteria factors into strategic planning and modelling of anticipatory investment at Gate 1, considering *inter alia* routes to market (such as contracts for difference (CfDs)) and planning milestones.

Whilst we appreciate that the ESO has developed new types of grid service contracts (eg stability and constraint pathfinder), the timing of these needs to align with TMO4+ and associated routes to market (eg CfDs, capacity market etc). Without better alignment in this way, equipment design and procurement cannot enable additional services to be provided without adding cost and risk to a project - even more so if connection is accelerated.

(iii) Strategic Spatial Energy Plan

See our comments on CAP 3.3 and 3.4 above. We believe that strategic planning should be aligned with and feeding into TMO4+ to inform modelling of anticipatory investment at Gate 1, ensuring projects of strategic importance (eg offshore wind generation) connects on time. Depending on future progress towards achieving Net Zero and other key targets, there may be a need to use strategic planning priorities to accelerate certain connections. More importantly, projects that are a strategic priority should not be delayed by the acceleration of other connections.

On a related matter, as noted in our response to 3(b) above, there is a clear need to build on Ofgem's ASTI programme and ensure strategic transmission network investment is truly anticipatory and approved with substantially longer times than ASTI. This will require streamlined and near automatic regulatory approval of the outputs of the ESO's modelling of anticipatory investments and close alignment with the SSEP.

ScottishPower
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