



Peter Bingham  
Director, Strategic Planning, Engineering and  
Technology, Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

**SSE plc**  
Inveralmond House  
200 Dunkeld Road  
Perth  
PH1 3AQ

7 May 2024

Dear Peter,

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

This response represents an SSE plc Group position, recognising that our Transmission and Distribution businesses have been party to the industry groups involved in developing these proposals.

Ambitious reform is urgently needed to the connections process to make it fit for today and for the future, yet this reform is hampered by the existing queue and contractual offers that run late into the 2030s.

We support the broad policy intent of these proposals and are absolutely committed to the sector-wide need for collaboration and action on connections. We agree with Ofgem's views as set out in its multi-year strategy<sup>1</sup> and in the Connections Action Plan (CAP)<sup>2</sup> that this needs to deliver both long-term success as well as medium- and short-term improvements. We are concerned that the drive to act quickly may lead to unintended consequences, for example, with some speculative projects being prioritised ahead of viable projects on the basis of a proxy for 'readiness'. Similarly, we are concerned that the proposal prioritises projects solely on the basis of nominal readiness without also factoring in system need.

Whilst the Electricity System Operator (ESO) starts from the existing process and considers how to go from there through a series of code modifications, we think Ofgem, in its enduring role, has a huge role to play

---

<sup>1</sup> [Ofgem's multi year strategy](#)

<sup>2</sup> [Connections Action Plan: Speeding up connections to the electricity network across Great Britain \(publishing.service.gov.uk\)](#)

in developing in parallel the connections policy principles that align with a 'Strategic Spatial Energy Plan (SSEP)'/ 'Centralised Strategic Network Plan (CSNP)' world. The CAP already recognises this longer-term role for Ofgem, but we believe this needs to be expedited and, as far as possible, for this work to be reflected in nearer-term connection reforms (i.e., TMO4+ 'Horizon 1'). We know enough to get started on this trajectory and we believe it would be wrong / mis-guided to develop any interim steps that do not have this at their core.

---

## Detail

The position outlined in Ofgem's open letter (April 2024) of welcoming the TMO4+ proposal as '*an ambitious idea*', with the '*first ready, first connected*' approach as '*having the potential for achieving the vision [Ofgem] commit to in the CAP*', if implemented in isolation, is of real concern to us:

1. If we rely on a 'first-ready, first connected' approach from the start of 2025, without any reference to what the system needs to connect to deliver net zero, we will **inefficiently allocate scarce network capacity to projects based on the speed at which they can reach Gate 2** (currently defined as primarily securing land rights) and nothing more.
2. Developers need rational and reliable investment signals. If TMO4+ is to evolve from a 'Horizon 1' to 'Horizon 2', as a minimum, developers need a clear line of sight to Horizon 2 in terms of the timeline and approach. **Sending project investors both a flawed signal and one that is subject to change** without this transparency has serious implications for investor confidence and makes the risk of legal challenge<sup>3</sup> more protracted and, we would argue, less defensible for policy makers.
3. Further, by making connection offers conditional on securing land, any '**scarcity rent**' **associated with network connections could be absorbed by landowners with no route back to energy consumers** through, for example, reduced network charges. This concern is compounded if, in the future, land secured to meet Gate 2 at TMO4+ implementation later becomes a stranded asset because connection is subsequently allocated via a different approach.

In addition, there are no assurances that TMO4+ as proposed will deliver the benefits suggested or the CAP's targets around the time difference between connection dates requested and offered. The requirement to have land rights (be that ownership or under option) is a relatively low bar and as developers secure this, we fear the short-term 'win' of clearing the queue will quickly erode and undermine confidence in this work. Further, in the short-term, the opportunity to accelerate developers' projects within the queue is subject to planning assumptions and timescales to deliver enabling works. Moreover, recent changes to the TMO4 model (to TMO4+) risk diluting (in the near-term at least) the Gate 1 benefit of enabling a more anticipatory element to coordinated network approach to connections delivery.

These concerns are expanded on in the attached Annex against each of the CAP action areas.

Taken together, we believe this underlines the importance of Ofgem adhering to its own policy outcome of aligning the connections process with future strategic planning, ideally from the outset.

---

<sup>3</sup> See for example: [Retrospective connections queue reforms raise risk of legal challenges - Utility Week](#)

We might not yet have the SSEP and CSNP (although both the ESO and Ofgem presumably already know what the commission of the SSEP asks for), but we believe we should, in the meantime, be aligning connections with the existing Electricity Ten Year Statement (ETYS) and Networks Options Assessment (NOA). Aligning connections with these existing plans, as well as developing the methodology required to allocate this network capacity to developers' projects that deliver the optimal system solution and drive best value to consumers, will put us on the right path to net zero.

Government tenders and market mechanisms (e.g., the Capacity Market, CfDs) already competitively select the best projects to progress through these processes. For all other projects that do not rely on these

---

mechanisms, we believe we can and should develop a methodology that supports the connection of those projects that best align with an optimal system solution. This should, for example, consider a number of parameters including delivery timescales, how these technologies interact and complement one another and contribute towards a secure and affordable energy system. We believe part of the solution will be the creation of technology-specific 'buckets' or queues that will allow developers to better understand where their opportunities exist and criteria that recognise developers' project-specific timelines, funding, etc.

This inevitably means that not all projects that have applied will have their connections delivered. This has to be true of any reformed process given that the queue is hugely oversubscribed with many times more capacity than any future scenario of network build and consumer demand sets out. Yet, despite being a key driver for connections reform, the current TMO4+ proposals offer nothing tangible to target this oversubscription. We believe radical reform based on a more technology-specific approach would prune the existing queue in a way that is more consistent with the long-term, rather than simply (and potentially ineffectually) getting rid of projects from the queue that have not secured land rights (or whatever the eventual criteria for Gate 2 ends up being).

As set out at the start of this response, we believe Ofgem could provide huge value by immediately embarking on a fast-track policy project in parallel with the ESO's work on TMO4+ to outline the principles for Horizon 2. We see this as starting from the knowledge of the SSEP / CSNP and where we need to get to for 2025/26 and bringing this together with the ESO's work on Horizon 1 to inform the live code modifications. We believe this is critical to ensuring connections reform is a success and to ensuring that the work we do today drives the right outcomes to deliver for net zero.

Should you or your team wish to discuss anything in this response or our previous position paper attached for reference, please do not hesitate to get in touch.

Yours sincerely,



Director, Group Regulation

**SSE plc**

Registered Office: Inveralmond House 200 Dunkeld Road Perth PH1 3AQ Registered in Scotland No. SC117119.

[sse.com](https://www.sse.com)

## ANNEX: SSE position on TMO4+ proposals relative to the CAP objectives

	CAP desired outcome	SSE position
CAP 3.1 – Raise entry requirements	<i>“The desired outcomes are to reduce speculative connection applications and to reduce the number of unviable projects entering the queue.”</i>	<p>Broadly speaking, the entry bar for TMO4+ is considered to be relatively low (i.e. a Letter of Authority for Gate 1 and secure land rights for Gate 2). The use of financial instruments is something that NGESO has only cited as “keep[ing] under consideration”. Therefore, as things stand, we believe the proposals under CAP 3.1 will have limited (and, in the case of Gate 2, short-term) impact in terms of keeping downward pressure on projects entering the queue.</p> <p>Further, if, as currently proposed, entry requirements are raised under TMO4+ (i.e., applicants are required to secure land rights at Gate 2) and then, going forward, further steps are taken to raise / change the entry requirements (perhaps to align with Horizon 2 or because TMO4+ does not go far enough in terms of the desired outcomes), it will be key to understand:</p> <ul style="list-style-type: none"> <li>- How applicants that enter the TMO4+ process and secure an offer on that basis but do not meet future connection application / offer criteria would be treated;</li> <li>- How decisions made align with future objectives around strategic planning; and - How investor confidence will be ensured?</li> </ul>
CAP 3.2 – Remove stalled projects	<i>“The desired outcomes are to prevent stalled projects from unduly delaying viable projects (i.e. via the use of queue management) and to release unutilised capacity.”</i>	<p>We believe Queue Management (QM) is the right mechanism to remove stalled projects from unduly delaying viable projects. However, we accept that QM will take time to take effect.</p> <p>Therefore, if stalled projects need to be removed quicker, an approach that does not discriminate between projects based on the value they bring to the overall system, but simply judges them on whether they have secured land rights at TMO4+ implementation regardless of when their project timelines would tell them it is efficient to secure land rights, is at odds with where we need to get to: a more strategically planned energy system (or ‘Horizon 2’).</p> <p>We believe we need a more targeted approach based on the longer-term direction of travel to ensure investor confidence and the right technology mix for GB.</p>

CAP 3.3 – Better utilise existing network capacity	<i>“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.”</i>	In the short-term, some of the connection reform initiatives underway and planned to better utilise the network as outlined in the CAP are, in our view, likely to be limited. This is because: (a) the local connection works to deliver these connections will need to be completed; and (b) the global supply chain limitations mean that many developers are unlikely to be able to advance their construction / commissioning programmes to meet the accelerated connection dates in the short to medium term. The longer-term benefits are undisputed, but it is important that we are clear with all stakeholders on the short-term impacts.
CAP 3.4 – Better allocate available network capacity	<i>“The desired outcome is to move towards an approach to capacity allocation based on readiness, maintaining appropriate opportunities for technologies with varying lead times.”</i>	<p>As proposed, TMO4+ will allocate scarce network capacity to developer projects that have secured land rights at TMO4+ implementation. Providing this is legally robust, we accept that this will remove projects from the queue at the point of TMO4+ implementation, but there is no certainty that this will have lasting downward pressure on the size of the connections queue. Further, it is not clear that the current TMO4+ proposals will:</p> <ul style="list-style-type: none"> <li>(i) Allocate network capacity to developer projects that are <i>more ready to connect</i>; or (ii)</li> </ul> <p>Result in a better outcome in terms of projects connected for GB’s energy system.</p> <p>Securing land is considered a relatively low bar for many developer projects and once secured it is not clear that this is the most appropriate indicator of a project’s state of readiness and ability to progress. Indeed, depending on project-specific programmes, some projects may be further developed having secured consents but yet to formally secure land. Despite this, under these proposals these projects would lose their existing connection offer.</p> <p>Further, allocating network capacity based solely on developer project readiness is at odds with strategic planning of the GB energy system. It signals that it doesn’t matter what you bring to the system, what demands you place on it, or where you want to locate, securing sufficient land rights is all projects need to be given an offer to connect to the network. Bearing in mind that network capacity is a scarce resource, allocating capacity in this way (even if these proposals are short-term) appears ill-advised.</p>

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 T and D and (3) a strong framework of incentives, obligations and requirements.”*

There are a range of initiatives underway to improve data and processes across Transmission and Distribution network operators, which will bring about new and improved solutions. These initiatives, which include changing the way Transmission and Distribution owners coordinate connections, the development of improved information sources and a review of thresholds for Transmission Impact Assessments, will bring benefits for customers [looking to connect.

We are supportive of a review of the incentives regime to appropriately reflect a new process and changing needs. However, we believe the timing of Ofgem’s delivery of this review may be premature given that the connections landscape is still evolving and the full enduring solution is yet to be determined.

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 plan and electricity market reforms.”*

We agree that the connections process needs to be well integrated with wider policy and proposals for strategic planning. As previously indicated, we believe that TMO4+ should not be delivered in isolation but must closely align with a strategic approach commensurate with net zero targets and that TMO4+ delivery should not be allowed to delay this. We believe Ofgem should fast-track its work in this area. As set out earlier in this response, we believe Ofgem could provide huge value by immediately embarking on a fast-track policy project in parallel with the ESO’s work on TMO4+ to outline the principles and next steps for Horizon 2. We see this as starting from the knowledge of the SSEP / CSNP and where we need to get to for 2025/26 and bringing this together with the ESO’s work on Horizon 1 to inform the live code modifications.

**SSE plc**

Registered Office: Inveralmond House 200 Dunkeld Road Perth PH1 3AQ Registered in Scotland No. SC117119.

[sse.com](https://www.sse.com)