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Dear Alasdair

Response to Ofgem's Connections End-To-End Review Consultation

SSE's Energy Businesses welcome the opportunity to respond and input to the above end-to-end review amidst the broader changes to the connections process currently under consideration and with Ofgem for decision in Q1 2025. Please note SSEN's Transmission and Distribution businesses are providing separate responses.

We support the high-level proposals to review the licence arrangements for connections

We agree with Ofgem that it is prudent to review the regulatory framework given the reforms to the connections process. Implementation of TMO4+ will ultimately drive projects that are better aligned with system needs and within timescales that networks can realistically deliver; however, it makes sense to consider this holistically.

Ofgem has identified key areas of improvement around the current NESO, TO and DNO regulatory framework, many of which we support and would encourage the network companies to deliver as quickly as is practicable. This includes a more coordinated digital tool that offers project developers accurate and up-to-date information on what the system needs where and when, and measures to improve the quality of connection offers issued to connecting customers.

However, we also recognise the very real and practical challenges associated with the level of investment now required (both by network companies and project developers) and the implications of getting the regulatory framework wrong.

Therefore, we have concerns over introducing significant change to the incentive framework at this time given the level of change currently anticipated to the connections process and the unprecedented network investment required to put us on the pathway to deliver net zero.

The lack of clarity over how the connections reform process will play out in practice and impact on behaviours increases the risk of setting ineffective incentives, which could potentially lead to unintended or even perverse behaviours. Without this baseline knowledge and a clear understanding, there is a real risk that the incentives put in place today could undermine progress rather than support it. As such, we believe a more appropriate response would be to use the TMO4+ early implementation years to understand the behaviours this process will drive and to build a strong foundation for future regulatory decisions on incentives and penalties.

Notwithstanding this, we agree with Ofgem's assessment that there is a clear asymmetry between the project milestones that project developers must meet and those required of TOs, DNOs and NESO. This imbalance is particularly evident in the financial repercussions where parties drive delays to connection dates. As we understand it, TOs and DNOs have fewer equivalent consequences in the event that they drive the connection delay relative to project developers. Moreover, the potential implementation of an additional financial instrument on project developers accepting a Gate 2 offer would further increase this financial burden and widen the existing asymmetry.

It is important that this asymmetry is addressed and, during these early years of TMO4+ implementation, appropriate steps are taken to ensure the financial repercussions on project developers are commensurate with those on network companies and the very real challenges of delivering the steep uplift in investment required. For instance, we believe network companies could be exposed to equal and opposite delay fees in the event that they have to impose delays on project connections.

Finally, nothing in this response takes away from the important role a robust regulatory framework with strong incentives plays in driving the right behaviours. We absolutely see a role for this going forward and would encourage Ofgem to ensure this is delivered. The issue for us is about clearly defining what this looks like and we think this needs to be informed by experience and knowledge of the process, which we simply lack at this point in time.

We are keen to engage with Ofgem further as its End-To-End Connections Review progresses, or indeed any aspect of its connections reform work.

Should you wish to discuss any aspect of this response or the inter-related issues, please do not hesitate to contact me.

Yours sincerely,

Dora Gencheva
Senior Regulation Analyst

Appendix: responses to specific questions

1. Theme 1 - Visibility and accuracy of connections data and network capacity

1a. Do you agree with the issues we have set out under Theme 1 - Visibility and accuracy of connections data and network capacity? Are there any other issues under this theme that we should consider or be aware of?

Overall, we agree with the issues outlined in Theme 1. Currently, access to information on network capacity is limited and project developers have almost no ability to self-service. Where information is available, it is often not updated frequently enough which can make it challenging to rely on for planning and decision-making purposes.

Going forward, we expect this to change. We expect the Clean Power Plan for 2030 (CP30), subsequent Strategic Spatial Energy Plan (SSEP), Centralised Strategic Network Plan (CSNP) and Regional Energy System Plans (RESPs) to transparently set out what is required where on the system and when. These plans should make it easier for NESO, TOs and DNOs to communicate their build programmes and capacity availability. Transparency is key; it is vital that information pertaining to opportunities resulting from these plans is visible to project developers, and that it is as accurate and reliable as possible.

1b. Do you agree with proposal 1a (new regulatory requirement on single digital view tools)? Do you have any views on how this should be implemented?

Yes, we agree with the proposal for single digital view tools. This could be facilitated through a common application programming interface (API) with the option of layering commercial data solutions on top and / or through a collaborative development project between the TOs, DNOs and NESO. We are ambivalent at this stage. However, we believe some form of integration between TOs and DNOs will be key if we are to establish an effective tool that mitigates the risk of distortions and discrepancies. It would be important to ensure the information provided through this tool aligned and was consistent with any capacity ranges established via the CP30 and the SSEP processes.

As an example of valuable data that could be included on a single digital view tool, we would like to see **existing DNO and TO network data** in a geographic view, the **NESO TEC register**, the **DNO registers**, as well as CP30 capacity ranges and requirements. In a post CP30 environment, it would be helpful to also have visibility of **available network capacity**, **contracted parties** and **contracted TEC**, as well as a **breakdown of TEC per technology** for hybrid / co-located sites. We encourage Ofgem to consult specifically on data requests, along with justifications for those, as well as transparency of underlying modelling data as soon as practically possible. We would welcome the opportunity to discuss this further.

1c. Do you agree with proposal 1b (new regulatory requirement on the creation of guidance / standards for data visualisation tools)? Do you have any views on how this should be implemented?

We support the need for guidance / standards for data visualisation tools to ensure greater consistency across TOs and DNOs. We have used and benefited from the data tools already developed and

maintained by network companies. However, there are variations in the type, completeness and granularity of the available data.

We believe that establishing clear guidance / standards will help address these differences and create a more uniform approach to data provision. Additionally, it would be beneficial to align terminology across TOs and DNOs, where feasible.

1d. Do you agree with proposal 1c (new regulatory requirement to provide connections data)? Do you have any views on how this should be implemented?

We recognise the significant ongoing efforts by TOs and DNOs to improve the availability of connections data. However, we do not believe a new regulatory requirement is needed at this time. Instead, we believe the focus would be better placed on improving coordination and leadership. In our view, NESO is well-positioned to take on this role and provide oversight to ensure that connections data is reliable, up-to-date, and consistently maintained and made available across all TOs and DNOs.

In addition, it could be useful to review the data that is currently collected and published to ensure that efforts are focused on the most valuable information for connecting customers. This would help reduce unnecessary burden for TOs, DNOs and NESO and improve the relevance of available information. A request for information / call for input could be a useful way to gather specific insights from connecting customers on what data is missing or most needed.

1e. What are your views on the completeness and discoverability of connections data that would be useful to you? Are the existing resources clear and transparent?

In our view, there is room for improvement in the clarity and transparency of existing connections data. The ultimate goal of any data solutions implemented by TOs, DNOs and NESO should be to enable project developers to undertake an initial assessment themselves without needing to engage with the TO / DNO pre-application. Such data solutions must provide developers with access to clear, real-time (or as close to real-time as possible) and standardised information that is actionable and location specific, to enable developers to make informed decisions independently. Furthermore, these tools should be intuitive, comprehensive and consistently maintained to support efficient and accurate decision making.

Arguably, the quality and availability of this information should reduce the need for direct engagement between project developers and network companies or, at least, make these engagements more targeted and efficient. However, until the standard of the information reaches the quality required, direct engagement with the relevant TO / DNO remains essential for project developers at pre-application stage as it provides critical insights for connection feasibility. Currently, some network companies offer pre-application meetings upon request, but the practice is not consistent across all.

1f. Is there additional connections data that would be of use but legal barriers prevent it from being published? If so, do you consider that there are solutions that would enable this data to be made available, for example by aggregating it to appropriate levels / anonymising it etc.

It is important to consider GDPR restrictions on data sharing and to also carefully handle information relating to Critical National Infrastructure.

Additionally, for commercial reasons, information in Appendix H of the connection offers, such as transmission reinforcement works, costs and securities should not be made public as this could impact commercial negotiations and put project developers at a disadvantage.

1g. Is there anything else regarding Theme 1 – Visibility and accuracy of connections data and network capacity that you consider we have missed?

We would encourage Ofgem to revisit its initial view on the proposal for monthly data updates. A fixed schedule may not be sufficient given the fast-changing nature of network conditions. Any data solutions should aim to provide data as close to real-time as possible, or at least allow for more dynamic updates on, for example, critical / high impact information, such as available network capacity.

2. Theme 2 - Improved standards of service across the customer journey (not including “minor connections”)

2a. Do you agree with the issues we have set out under Theme 2 - Improved standards of service across the customer journey (not including “minor connections”)? Are there any other issues under this theme that we should consider or be aware of?

We agree with the issues set out under Theme 2.

2b. Do you have any views on proposal 2a (general principles-based licence condition and supporting guidance around standards of service throughout the entire customer journey)? Do you have any views on how this could be implemented?

We agree with the introduction of a general principles-based licence condition and supporting guidance around standards of service.

Going forward, given wider reforms, i.e. measures to align developers’ projects with system need and raise the entry requirements for projects seeking a connection offer, it should become easier for network companies to meet higher standards. As a result, we believe it is reasonable to strengthen the requirements around the standards of service throughout the entire customer journey.

Fundamentally, we believe connecting customers are best-placed to assess network companies’ standards of service. Which is why, as outlined in our RIIO-T3 incentives response, we continue to support the retention of the Quality of Connections Survey (QoCS) for transmission connecting customers (and indeed the Major Connections Customer Satisfaction Survey for distribution connecting customers). We see ongoing value in linking an incentive to specific performance metrics to encourage TOs and DNOs to actively monitor feedback and drive improvements in service quality across the various stages of the connection journey. We accept that the ongoing changes to the connections process mean that the current scope of the survey warrants review to ensure the questions and milestones remain relevant, but nevertheless, we continue to see the merits of this mechanism.

2c. Do you have any views on proposal 2b (new prescriptive condition(s) around standards of service)? Do you have any proposals for any specific areas of the connections customer journey that should be subject to such a requirement?

As emphasised in our response to the RIIO-T3 incentives element of this consultation, we support a robust incentive framework. However, without practical knowledge and experience of how the wider connection process will unfold and the exact behaviours it will drive, we have concerns that introducing stricter, prescriptive minimum standards at this stage may be premature.

We believe it may be best to use the early years of TMO4+ implementation to gather insights from connecting customers, TOs, DNOs and NESO, thereby establishing a strong foundation for future regulatory decisions on incentives and penalties. We believe there is a risk in acting too soon and without knowledge or experience of the new process, which could result in unintended behaviours

2d. Do you consider that any of the existing standards of service requirements set out in the regulatory framework for provision of specific products / services should be revised or removed? Do you consider that there is any duplication or overlap of regulatory requirements across the regulatory framework that needs addressed?

We believe there is a clear need for more consistent engagement and timely updates throughout the connections process. To improve transparency and coordination, we propose regular progress updates once a connection offer has been accepted, for example.

As a minimum, we think DNOs and IDNOs should be subject to timescales for the submission of Project Progressions (or whatever the new process becomes) to NESO and that this should be standardised across all GB.

Similarly, TOs should offer more transparency on enabling and wider works. One way to achieve this could be through the regular update and provision of Transmission Owner Reinforcement Instructions (TORIs) on a consistent basis, for example quarterly.

We believe detailed information on required works should be shared early on, for example as part of the connection offer with clear networks' milestones attached. Regular updates on these milestones through periodic progress reports would help project developers to understand the scope of work and allow for more open and transparent discussions between all parties.

In addition, we think it would be useful to introduce a milestone in the construction programme between offer acceptance and the first major TO milestone. This would give the TO and the connecting user a chance to review and agree on a more detailed and realistic construction plan, building on the initial desktop study.

2e. Is there anything else regarding Theme 2 – Improved standards of service across the customer journey (not including “minor connections”) that you consider we have missed?

Not at this time.

3. Theme 3 - Requirement on networks to meet connection dates in connection agreements

3a. Do you agree with the issues we have set out under Theme 3 - Requirement on networks to meet connection dates in connection agreements? Are there any other issues under this theme that we should consider or be aware of?

We agree with the issues set out in Theme 3; there is a clear asymmetry between network companies and project developers in terms of connection agreements and what the parties are held to and the financial implications involved.

Queue Management Milestones impose strict obligations on project developers with little to no tolerance in the event of delay or non-delivery. Where project developers are able to delay, they are required to recompense the network company for its delay fees and financing costs. Moreover, there is talk of a further financial instrument, which (if implemented) would put even more value at risk for project developers in the event that their project is unable to meet its milestones or progress to delivery.

However, where it is the network company causing the delay, these same provisions do not apply and there is no recognition of the impact of this delay or change on the project developer seeking to connect.

3b. Do you have any views on proposal 3a (strengthened principles-based licence condition around meeting connections dates)? Do you have any views on specific wording that would achieve the intended outcome?

We agree that there would be value in revisiting the current principles-based conditions in the licences and considering the merits of strengthening this in all cases to “*take all reasonable steps ...*”. We also agree that there is value in revisiting and ensuring the importance of timely and accurate information to project developers is clear within the licences.

3c. Do you have any views on proposal 3b (minimum standards / SLAs around meeting connections dates)? Do you have any views on specific standards that could be introduced and how they would work in practice?

We do not believe it would be appropriate to introduce minimum standards / SLAs at this stage, given the scale of investment required at transmission and distribution. While we support the need for a robust incentive framework, we think introducing stricter, more prescriptive standards at this stage could drive the wrong behaviours, including a lack of ambition on connection dates. However, this ‘softer’ approach needs to go hand-in-hand with measures to ensure the obligations placed on project developers are not disproportionate to the risk and exposure faced by TOs and DNOs.

This is consistent with the views expressed in our earlier response to the RIIO-T3 incentives element of this consultation. Whilst we fully support and see the value of a robust regulatory framework to drive the desired behaviours, we do not think now is the right time to introduce major changes to the regulatory

framework. We think this requires knowledge and experience of the connections process. Therefore, the period during its early implementation should be used to gather insights from connecting customers, TOs, DNOs and NESO to help shape an effective incentive framework. We are mindful that many uncertainties remain and introducing incentives and penalties now could lead to negative consequences, such as network companies offering conservative connection dates, limited ambition and prioritising simpler projects over more strategically important ones.

However, this position is contingent on a commensurately 'softer' approach also being extended to project developers during this transitional period. For example, project developers should be allowed to exit the connections queue without being exposed to undue financial repercussions, particularly where this is driven by network changes. In such cases, we recognise that project developers would need to exercise this right within a certain and reasonable timescale following notification from the TO / DNO of any changes, adhering to these set timeframes should protect them from being unduly exposed to financial consequences.

3d. Do you have any views on proposal 3c (a financial instrument designed to offer recourse to connecting customers who face detriment due to delays)? Do you have any views on how this should be implemented?

We think there is value in considering a financial instrument that compensates customers who suffer detriment, particularly if the current asymmetry of risk is not addressed through the measures outlined in this response. However, we accept that this form of direct compensation would only be appropriate in exceptional circumstances where poor practice on the part of the network company is clearly demonstrable.

However, the overriding point is that project developers must not be unduly subject to unreasonable financial exposure, particularly where this risk is the result of third parties. While we acknowledge and continue to support the merits of a financial instrument to demonstrate a project's commitment to the connection queue, it stands to reason that this is contingent on commensurate, clear and enforceable repercussions in the event that network companies fail to meet their respective milestones / deliverables within agreed timeframes.

3e. Is there anything else regarding Theme 3 - Requirement on networks to meet connection dates in connection agreements that you consider we have missed?

Not at this time.

4. Theme 4 - Quality of connection offers and associated documentation

4a. Do you agree with the issues we have set out under Theme 4 - Quality of connection offers and associated documentation? Are there any other issues under this theme that we should consider or be aware of?

We agree with the issues set out in Theme 4.

4b. Do you have any views on proposal 4a (principles-based licence condition on the completeness / quality of the offer and supporting documentation)? Do you have any views on specific wording that would achieve the intended outcome?

With ongoing connection reforms designed to better align developers' projects with system need and raise the entry requirements for projects seeking a connection offer, we expect TOs, DNOs and NESO to be in a position to improve the quality of connection offers that are issued. With fewer offers to issue, it stands to reason that it should become easier for network companies to meet higher standards. As a result, we believe it is reasonable to strengthen the requirements around connection offer quality.

However, we recognise that certain aspects of the connection offer, such as connection costs and required works, cannot always be locked in at the initial offer stage and a degree of flexibility will inevitably have to remain. We are ambivalent how this is achieved, but we believe network companies should be driven to issue complete and quality offers to customers in all cases, with any updates provided to customers as soon as they become available and / or it is practicable.

It is worth noting that we believe there is a role for NESO to act as the reviewer and arbitrator of connection offer quality as an independent and expert body to ensure consistency, accuracy and transparency. Given NESO's central role in the connection process, it is well placed to oversee and enforce quality standards before offers are issued to connecting customers.

4c. Do you have any views on proposal 4b (minimum standards / SLAs on the completeness / quality of the offer and supporting documentation)? Do you have any views on specific standards that could be introduced and how they would work in practice?

As set out in our response to question 4b, we believe there is a role for NESO in checking the quality of offers before they are issued to connecting customers.

To enhance accountability and standardisation, NESO could be required to establish clear and objective criteria for evaluating the quality of connection offers. This could include the introduction of minimum standards, for instance in the form of a checklist to assess whether connection offers contain all necessary information and documentation, have been provided within appropriate timescales and align with regulated expectations in terms of clarity, consistency and completeness.

Further, we believe this could be complemented by the retention of the existing customer satisfaction surveys at both transmission and distribution, albeit with appropriate revisions to ensure they remain fit for purpose. This will ensure connecting customers can continue to provide feedback on the actual connection offers they receive and, through this important feedback loop, we would expect TOs and DNOs to actively improve their offers and service provision.

4d. What do you consider would constitute a 'high quality offer'?

Our experience has highlighted concerns that risk undermining the clarity, reliability and contractual fairness of the offers received. Historically, these have required repeated interactions between project developers and NESO and network companies to resolve, thereby creating delays. Going forward, as well as resolving basic administrative errors, our expectation is that quality offers should include the following key elements to ensure transparency and efficiency:

Greater cost accuracy: Our experience has shown that the initial costs provided in the connection quote often significantly exceed the final costs. While we appreciate that some level of cost variance is inevitable due to external economic factors, such as inflation and supply chain constraints, greater cost accuracy is required to ensure connecting customers can make appropriate and informed decisions on project viability.

Greater accuracy of works: We believe that a clearer and more accurate breakdown of the required enabling and wider works would improve transparency and certainty. Having this accurate information as early as possible would help project developers to engage more effectively with TOs and DNOs, thereby ensuring engagement is well-informed and focused on tracking progress and identifying potential delays.

To improve the accuracy of the construction programme, it would be beneficial to align Appendix J and Appendix Q as closely as possible. There is currently uncertainty around which appendix takes precedence, and this creates challenges.

Standardisation in contractual clauses: In some cases, multiple different clauses are included across the contracts with the same fundamental outcome / meaning. Resolving this inconsistency would streamline the process and make connection offers more transparent and manageable for all parties.

Greater certainty of fault levels: From our experience, fault levels often vary significantly from the initial connection offer to energisation. Since project developers procure assets to meet these fault levels, unexpected changes can make them obsolete or insufficient, which ultimately leads to additional costs.

Greater clarity on availability: Where a connection includes availability or outage conditions, it would be helpful to include an anticipated percentage of availability in the offer. Some DNOs already provide this information but it would be helpful if, where relevant, all DNOs, TOs and NESO provide this information consistently.

4e. Is there anything else regarding Theme 4 - Quality of connection offers and associated documentation that you consider we have missed?

Not at this time.

5. Theme 5 – Ambition of connection offers

5a. Do you agree with the issues we have set out under Theme 5 - Ambition of connection offers? Are there any other issues under this theme that we should consider or be aware of?

We agree with the issues set out in Theme 5.

5b. Do you have any views on proposal 5a (strengthened principles-based licence condition around offering earliest achievable connection dates)? Do you have any views on specific wording that would achieve the intended outcome?

In practice, it is not clear how feasible (or desirable) it is from either the project developer or networks' perspective to provide revised offers if it later becomes possible to connect the customer more quickly. Most project developers and networks value certainty above everything else. Therefore, the priority must be to ensure offers (at the point of first issue) are as accurate as they can be. However, where opportunities to advance become available, for example, where a project has exited the queue, it is important that the opportunity to advance is offered to all projects 'next in line' and NESO / network companies do not simply assume the best 'fit'.

In addition, as described in our response to question 2d, we believe that better visibility of the networks' programme of works (through a data visualisation tool or detailed breakdown of networks' build programmes and works and key milestones in connection offers) would help project developers and TOs / DNOs to have more informed discussions throughout the connection process. Having access to this information would allow project developers to better understand project timelines and track progress. It would also open up conversations about the possibility for earlier connections, where feasible. We believe project developers should be actively involved in these discussions to ensure their views are considered when exploring earlier connection opportunities.

5c. Is there anything else regarding Theme 5 - Ambition of connection offers that you consider we have missed?

Not at this time.

6. Theme 6 – Minor connections

Our views on the issues and proposals outlined in Theme 6 align with those presented in SSEN's Distribution business response.

7. Theme 7 - Provisions and guidance for determinations

7a. Do you agree with the issues we have set out under Theme 7 - Provisions and guidance for determinations? Are there any other issues under this theme that we should consider or be aware of?

We agree with the issues set out in Theme 7.

7b. Do you have any views on proposal 7a (Ofgem to review the guidance for connection determinations)?

We support Ofgem's proposal to review the guidance for connections determinations, with a view to updating it to better align with the current connections process and landscape. Given the importance of clarity and consistency in this area, we urge Ofgem to undertake the review as soon as practical. It is essential that stakeholders are involved throughout the process and given the opportunity to engage and have their views reflected through appropriate consultation and working groups as required.

7c. Is there anything else regarding Theme 7 - Provisions and guidance for determinations?

Not at this time.