

# Decision

## Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions

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This document sets out our<sup>1</sup> decisions on changes to the Distribution licence, Transmission licence and the Electricity System Operator licence. Overall, these changes give the Electricity System Operator more powers to manage the connection queue and will ensure licensees operate in a way that is consistent with the wider changes contained within the TMO4+ reform package.<sup>2</sup> The modifications to the respective licence texts are shown via marked-up versions which are found within the annexures under the subsidiary documents.

Our other decisions, that make further changes to the regulatory regime for electricity connections, are presented in separate documents and should be read alongside this licence decision document.

As outlined by the Monitoring and Evaluation Strategy within the Impact Assessment decision document, we will monitor the impacts and operational performance of these licence changes. The National Electricity System Operator (NESO) is also required to review the Connections Methodologies, which derive from these licence changes, at least once per year.

We have carefully considered all responses to the preceding policy consultation<sup>3</sup> and statutory consultation<sup>4</sup> on these changes and have published non-confidential responses.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably 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.

<sup>2</sup> This is referred to as the TMO4+ / TMO4+ reform package interchangeably throughout this document and refers to the entire package, including the code modifications CMP434, CMP435, CM095, and the three Connections Methodologies: Gate 2 Methodology, Connections Network Design Methodology, and Project Designation Methodology.

<sup>3</sup> [Proposed licence changes to enable TMO4+ Connections Reform | Ofgem](#)

<sup>4</sup> [Consultation on connection reform \(TMO4+\) enablers, including a statutory consultation on modifications to licence conditions | Ofgem](#)

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## **1. Introduction**

### **Section summary**

This section provides the context for our decisions, the process we have completed to inform those decisions and high-level information on the responses received.

### **What are we deciding on?**

- 1.1 This document sets out our decisions following our statutory consultation on the modification of the Distribution licence, Transmission licence and the Electricity System Operator licence.
- 1.2 Sections 2, 3, 4 and 5 provide a summary of the themes arising from the responses we received, together with rationale for our decisions on whether to implement the proposed modifications to the Electricity System Operator, Transmission and Distributions licences, respectively.
- 1.3 We are also concurrently making decisions on the wider TMO4+ reform package, of which these licence modification decisions are an integral part. These other decisions are presented in separate documents that outline changes to industry codes and the adoption of NESO's Connections Methodologies (required under the terms of the applicable licence modifications to the Electricity System Operator licence (referred to as "NESO licence" in this decision document)).

### **Characteristics of Responses Received**

- 1.4 We received 19 responses from across the industry to our statutory consultation on licence changes. These were from: the National Energy System Operator (NESO) (also known as the Independent System Operator and Planner "ISOP"), Transmission Owners (TOs), Distribution Network Operators (DNOs), Independent Distribution Network Operators (iDNOs), renewable energy developers, generators, and trade associations. The majority of responses broadly supported our proposed changes, and the policy intent behind them.

### **Our decision-making process**

- 1.5 These decisions constitute the final stage in our consultation process for the purpose of defining licence modifications required for the new connections landscape enabling the TMO4+ reform package.

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- 1.6 Please see the relevant separate documents for the marked-up changes in the licence text:
- Annex A – modifications to the Electricity System Operator Standard Licence Conditions;
  - Annex B – modifications to the Transmission Standard Licence Conditions;
  - Annex C – modifications to the Distribution Standard Licence Conditions.
- 1.7 Within the past four months we have undertaken two rounds of consultation on proposed changes to the Distribution, Transmission and the Electricity System Operator licences. All the responses received were reviewed and have informed our decisions outlined in this document.
- 1.8 Throughout the consultation process we have sought:
- to ensure that we act wholly in accordance with our statutory duties and our principal objective: we have taken care to ensure that any approach and outcome is consistent with our statutory duties and our principal objective to protect the interests of existing and future electricity consumers.
  - simplicity, transparency, and consistency of the modifications across all licences: we have endeavoured to make our approach clear to understand, transparent and, as far as possible, consistent between the three licences.
  - To ensure that the licence modifications are necessary and sufficient to enable the approval of the TMO4+ reform package, whilst avoid making unnecessary additions and changes to the licence.
- 1.9 Below are the key stages of the licence modification decision-making process:

### Key milestones of consultation and decision-making phases

Date	Stage description
27/11/2024	Stage 1: Policy Consultation open
06/01/2025	Stage 2: Policy Consultation closed, deadline for responses
14/02/2025	Stage 3: Policy Consultation responses reviewed, and Statutory Consultation open
14/03/2025	Stage 4: Statutory Consultation closed, deadline for responses
15/04/2025	Stage 5: Statutory Consultation responses reviewed, and decision document published.

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#### **General feedback**

1.10 We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

Please send any general feedback comments to [connections@ofgem.gov.uk](mailto:connections@ofgem.gov.uk).

## 2. Electricity System Operator Licence

### Conditions

In this section, we have set out what changes we consulted on and summarised stakeholder responses to these changes.

We have also justified our decisions relating to changes made to the Electricity System Operator licence.

#### **Condition A1: Definitions**

##### **Changes consulted on**

- 2.1 In our policy consultation on proposed licence changes necessary to enable the TMO4+ reform package, we proposed changes and additions to condition A1 of the NESO licence.
- 2.2 The new definitions that we proposed were "Clean Power 2030 Action Plan", "Connections Criteria", "Connections Criteria Methodology", "Connections Methodologies", "Connections Network Design Methodology", "connections process", "Designation Criteria", and "Project Designation Methodology".
- 2.3 We chose not to define or make references to "Gate 1" or "Gate 2" in the licence, preferring instead to make only those changes that are necessary to enable the relevant CUSC modifications while avoiding duplication in the licence. In general, our intention was to avoid making unnecessary additions and changes to the licence. The modifications were designed to ensure that further licence changes would not be required as a result of any potential future changes to the associated codes or methodologies.
- 2.4 **In the statutory consultation**, following feedback, we proposed to amend the definition of "connections process" to include the Distribution Connection and Use of System Agreement industry code "DCUSA" to ensure that processes relating to Distribution customers would continue to be followed in line with requirements of the code.
- 2.5 Additionally, we proposed to incorporate reference to and provide definition of "Strategic Energy System Plan" as "the most recent energy system plan, published by Government, that contains the capacity ranges or pathways that NESO is required to rely upon as the basis for connections when developing, reviewing and implementing its Connections Methodologies". This definition would replace the previously proposed "Clean Energy 2030 Action Plan".



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- 2.6 We proposed to define "Gate 1" and "Gate 2" as: "the connection stage of this type as defined in the Connections Methodologies".
- 2.7 To align with the new definitions for Gate 1 and Gate 2, we proposed to make the following changes to defined terms: "Connections Criteria" became "Gate 2 Criteria" and "Connections Criteria Methodology" became "Gate 2 Methodology".
- 2.8 We also proposed to define the term "Application Window" and refer to it as such in the licence text, replacing references to "application period". Defining the term "Application Window" aligned the terminology in the licence with that used in CMP434, CMP435, and the Connections Methodologies.

#### **Question asked in the statutory consultation:**

Do you agree with the proposed licence changes for Condition A1 of the Electricity System Operator Licence?

### Summary of stakeholder responses

The majority of stakeholders were in full agreement with the changes that we had proposed in the Statutory Consultation.

Some stakeholders stated that they generally agreed with the changes proposed but had suggested some minor additions and changes to the wording of some defined terms.

One stakeholder suggested the addition of "Reservation" as a defined term.

One respondent requested clarity over where Gate 1 and Gate 2 are defined. Another suggested that the definition of Gate 2 be removed due it not being used in the main text of the licence.

One respondent provided feedback regarding the language used in the definitions of Gate 1 and Gate 2, stating that these are not connections "stages" but rather connection offer types.

Some stakeholders raised concerns regarding the newly defined term "Strategic Energy System Plans". Two suggested that further clarity be added to the definition reflecting that this will be an ISOP publication and another suggested that the acronym for this term (SESP) may be confused with that of the Strategic Spatial Energy Plan (SSEP).

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#### **Our decision**

- 2.9 Subject to the below, we have decided to introduce definitions as we consulted on. This approach ensures that suitable definitions are provided for the newly established Connections Methodologies and provides the necessary understanding for all parties when they are operationalised by NESO.
- 2.10 For the avoidance of doubt, the term “connections process” relates to the entirety of the obligations related to the process of connecting customers, and not just the gated process, and this applies to the three licences discussed in this document.
- 2.11 We have decided to remove the term “Strategic Energy System Plan” and replace this with “Strategic Plan”. This new wider definition ensures a ‘catch-all’ approach to government energy plans, now and in the future. This drafting also ensures consistency with wider legislation and, by excluding the word “energy”, is more flexible and allows for the inclusion of strategic plans outside of energy, such as those concerning industrial strategy. This wording is aligned with the terminology used in the Governments’ latest Planning and Infrastructure Bill<sup>5</sup>.
- 2.12 We have decided to retain the definitions for “Gate 1” and “Gate 2” in this condition. Defining these terms in this licence ensures consistency across licence texts, Connections Methodologies, and the TMO4+ code modifications. This licence also refers to and includes definitions of “Gate 2 Criteria Methodology” and “Gate 2 Criteria”. Therefore, including a definition for Gate 2 ensures the use of these terms is clear. This is, again, in response to stakeholder responses highlighting the need to be consistent throughout inter-related aspects of the electricity regulatory regime.
- 2.13 In line with stakeholder feedback, we have decided to change the wording of the definition of Gate 1 and 2 so that these refer to connection offer types, rather than connection “stages”. We agree that this language is more accurate and is consistent with the use of those terms elsewhere. These new definitions also address stakeholder concerns over where these terms are defined, making reference to the CUSC.
- 2.14 We have decided to specify that the three Connections Methodologies definitions refer to the documents issued and approved in accordance with the

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<sup>5</sup> [Planning and Infrastructure Bill - Parliamentary Bills - UK Parliament](#)

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relevant condition “of the Electricity System Operator licence” and replicated this drafting in the Transmission and Distribution licences.

### **Condition B3: Conduct of ISOP Business**

#### **Changes consulted on**

- 2.15 **In the policy consultation**, we proposed a change to condition B3.2, clarifying that any commercial advantage resulting from project designation by NESO would not be considered ‘unfair’.
- 2.16 The intent of this was to make clear that the process of project designation is, to the maximum extent possible, an objective one driven by legitimate and fair technical criteria, which will not result in any discriminatory outcomes.
- 2.17 While stakeholder responses in the policy consultation were generally in agreement with the policy intent behind our proposal, they did raise concerns about the use of the word “unfair” in the drafting of the additional proposed clause, suggesting instead that we use the word “undue” to align with the wording used in the Transmission licence.
- 2.18 Stakeholders also raised concerns that Project Designation by the ISOP should not be the only Methodology addressed in B3. The responses highlighted that there are other potential sources of commercial advantage in the reformed process, such as capacity reservation.
- 2.19 **In the statutory consultation**, we proposed to proceed with the drafting in the policy consultation. The drafting proposed referred to NESO’s application of the project designation criteria, as referenced in all three Connections Methodologies. Our view, at the time of the policy consultation, remained that: provided NESO applies the project designation criteria set out in the Connections Methodologies, the connections process will not provide any project with an unfair commercial advantage over another. The addition of SCL B3.2 was done to make that explicit. Further licence text changes to this effect were not necessary.
- 2.20 In response to stakeholder comments, we highlighted that the word “unfair” reflected the drafting used earlier in the condition and confirmed that non-alignment of this wording with the Transmission licence is present in other licences.
- 2.21 We did not propose to make any further changes to condition B3, other than the addition to B3.2 as outlined above.

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#### Question asked in the statutory consultation:

Do you agree that no further changes should be made to Condition B3 of the Electricity System Operator Licence?

### Summary of stakeholder responses

Stakeholder responses relating to this condition were divided, with an equal number agreeing and disagreeing with the question above.

Some stakeholders raised concerns relating to the inclusion of the clarifying clause added to the end of paragraph B3.2.

Some stakeholders disagreed with the use of the word “unfair”, suggesting instead using terminology present in other licences such as “undue advantage”.

Some respondents also highlighted that project designation may not be the only source of commercial advantage, with one stakeholder indicating that this clause should align to language used in other licences to refer more broadly to commercial advantage resulting from the mechanisms within the connections process rather to project designation in particular.

### Our decision

- 2.22 We have decided to redraft the additional clause added to paragraph B3.2 to the following: “For the avoidance of doubt, the licensee shall not be in breach of this condition in the compliant application and implementation of the Connections Process.”
- 2.23 This new drafting is aligned with that of the Distribution licence and is broader in that it includes the entire connections process, and the Connections Methodologies embedded within. This change addresses stakeholder concerns, outlined above. Inclusion of the word “compliant” ensures that any action that is a result of NESO correctly following the process, including project designation, shall not be considered unfair provision of commercial advantage.

## **Condition C11: Requirements of a Connect and Manage Connection**

### Changes consulted on

- 2.24 **In the policy consultation** we proposed that paragraph C11.2, remained unaltered, meaning that a licensee would have to adhere to condition E12 (Requirement to offer terms) so that all Connect and Manage applicants would receive an offer.

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- 2.25 However, in paragraph C11.3, we proposed that the type of offer granted would depend on the Gate 2 assessment in paragraph E12.5, so that the licensee would only include site-specific details and a date for completion of the enabling works identified by the Transmission Owner (TO) in respect of applicants who had applied for Gate 2 and met the Gate 2 Criteria or were not subject to the gated process (ie embedded demand customers). The licensee would therefore only be required to make a Connect and Manage connection offer if: the application is for a non-gated offer; or the application is required to and meets the Gate 2 Criteria.
- 2.26 **In the statutory consultation** we did not propose to make any further changes to condition C11 as stakeholders were generally in agreement with the changes proposed in the policy consultation.

#### **Question asked in the statutory consultation:**

Do you agree that no further changes should be made to Condition C11 of the Electricity System Operator Licence?

### Summary of stakeholder responses

The responses relating to this condition were overwhelmingly positive, with the majority of respondents agreeing that no further changes to this condition are required.

Two stakeholders suggested that we include Gate 1 with capacity reservation in the licence, one suggesting that the principle of capacity reservation be extended to interconnector projects.

### Our decision

- 2.27 In light of positive stakeholder responses we have decided to proceed with the proposed changes to this condition, as consulted on. The additions to the licence text will provide clarity of obligations with respect to Connect and Manage applicants and the type of offer (Gate 1 or Gate 2) they will receive. This modification is consistent with the new process introduced by the new Connections Methodologies and TMO4+ code modifications.
- 2.28 The modified paragraph E12.5 sufficiently set out the detailed provisions that must be provided by the licensee to applicants who successfully meet the Gate 2 criteria or are not subject to them. Therefore, we consider including a reference to this paragraph appropriate.
- 2.29 NESO may reserve connection points and capacity for specific Gate 1 projects insofar as required. Reservation has been defined in the CUSC and extended to

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include Gate 1 agreements by CMP434, and we have published an associated decision to approve this CUSC modification. Additionally, section 6.5.1 of the Connection Network Design Methodology (CNDM) provides a list of examples for what Gate 1 with reservation projects may be, including a clear reference to project-relevant characteristics and a reference to interconnector projects. We believe these provisions are sufficient. Further prescribing the types of projects qualifying for Gate 1 with reservation in the licence increases the risk of misalignment of the licence conditions with future updates of the CUSC and Connections Methodologies.

- 2.30 Additionally, updating the Connections Methodologies and processes relevant to capacity reservation will require NESO to engage with the industry, as well as the Authority's approval. Our position with regards to such projects has been further set out in section 3 of the associated CNDM and CM095 Decisions.

### **Condition E2: Connection and Use of System Code (CUSC)**

#### **Changes consulted on**

- 2.31 **In the policy consultation**, we proposed additions to E2.8(b)(i) and (ii) to clarify that agreements made under the new connections process between the CUSC User and the licensee must be consistent with the requirements of E12.5 in relation to terms offered. The proposed modification also clarified that agreements must come in a form prescribed by Connections Methodologies (as well as the CUSC) to include site-specific details only in respect of Gate 2 offers and applicants not subject to Gate 2 Criteria.
- 2.32 **In the statutory consultation** we did not propose any further changes to condition E2, as consultation respondents were in broad agreement with our proposed changes to E2.

#### **Question asked in the statutory consultation:**

Do you agree that no further changes should be made to Condition E2 of the Electricity System Operator Licence?

#### **Summary of stakeholder responses**

Most responses relating to this condition were positive, with the majority of respondents stating that they were in full agreement with the changes proposed.

Two stakeholders suggested that Gate 1 with capacity reservation be included in the licence.

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### **Our decision**

- 2.33 In light of the general agreement of stakeholders during the policy and statutory consultations regarding the changes made and the policy intent that underpinned them, we have decided to implement the changes, as proposed to this condition. The addition to the licence text provides clarity of obligations around provision of site-specific details and is consistent with the new process introduced by the new Connections Methodologies and TMO4+ code modifications.
- 2.34 The modified paragraph E12.5 sufficiently clarifies the detailed provisions that the licensee must provide in relation to applicants who successfully meet the Gate 2 Criteria or are not subject to them. Therefore, we consider including a reference to this paragraph appropriate.

### **Condition E15 (new): Gate 2 Criteria Methodology (E12 in the policy consultation)**

#### **Changes consulted on**

- 2.35 **In the policy consultation**, we proposed a new condition requiring the licensee to establish and maintain the Gate 2 Criteria Methodology. The methodology document contains the “Gate 2 Criteria” – the criteria that eligible new and existing applicants using, impacting, or connecting to the Transmission system (including relevant applicants connecting at the Distribution level) would need to meet to receive a connection offer with a confirmed connection location, connection date and a place in the connections queue (ie a Gate 2 offer).
- 2.36 The intent for part A, paragraph E12.2 (now E15.2) of this new licence condition was to set out objectives for this Methodology and relevant NESO obligations, including a requirement to undertake these in accordance with the wider strategic plans published by the Government. The licence condition would also establish the governance and oversight frameworks (including the Authority’s approval) for the creation and ongoing review of the Methodology.
- 2.37 In part B, paragraphs E12.3-E12.10 (now E15.3-E15.10), we introduced specific obligations in relation to establishing and maintaining the Gate 2 Criteria Methodology by the licensee. These included:
- the criteria to be set out in the Gate 2 Criteria Methodology against which applications would be reviewed;

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- a requirement on the licensee to regularly review and update the Gate 2 Criteria Methodology;
  - an established and robust governance and oversight frameworks (including the Authority approval process in Part C, paragraphs E12.11-E12.15 (now E15.11-15.15)) for the creation and ongoing review of the Methodology; and
  - a requirement on the licensee to publish the Methodology.
- 2.38 The new proposed condition also set out evidential requirements of connection applicants and the need to verify information submitted. Further, it provided the governance process that NESO must follow to undertake periodic reviews of the process, and, if necessary, update and publish the revised Methodology, as per Part D, paragraph E12.16 now E15.16).
- 2.39 **In the statutory consultation**, following feedback and comments from stakeholders in the policy consultation, we also proposed the following further changes to be consulted on.
- 2.40 We changed the licence condition numbering, from E12 to E15. This was to minimise the impact of adding new conditions on paragraph numbering of existing conditions.
- 2.41 In paragraph E15.2 of the NESO licence, where we had specified the Methodology objectives, we proposed to change two sub-clauses E15.2(b)(i) and (v) to make the language consistent across all objectives for all Connections Methodologies and complementary to NESO's statutory objectives. The overall intent remained the same: we maintained the reference to net zero and safety and security of supply, respectively.
- 2.42 In paragraphs E15.6 and E15.7, we proposed clarifying that the process of identifying and consulting on changes to the Methodology related to 'significant' updates. This was to enable NESO to implement minor updates (for example clarificatory updates) without consultation. This proposal was not the result of policy consultation feedback; however, we considered it was necessary for minor changes to be made swiftly where time constraints do not allow for a public consultation.
- 2.43 We stated our expectation on NESO to publish all updates on its website, including any minor changes.
- 2.44 In paragraph E15.14(b), we proposed to clarify that where the Authority rejects the proposed Gate 2 Criteria Methodology, the Authority can give



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direction to NESO to consult further. This was repeated in the relevant conditions relating to the other Connections Methodologies, namely in paragraphs E16.14(b) and E17.20(b).

#### **Question asked in the statutory consultation:**

Do you agree with the further changes to the proposed new Condition E15 (formerly E12) of the Electricity System Operator Licence?

### Summary of stakeholder responses

Over half of respondents stated that they agree with our proposals. Several stated that no further changes should be made to condition E15, providing that any future changes to the Gate 2 Criteria Methodology will go through public consultation. Improved consistency in wording between licence conditions and Connections Methodologies, as well as alignment with NESO's statutory objectives, were welcomed.

The majority of stakeholders requested further clarity on a range of topics. The clarification requests concerned a confirmation that NESO will be obliged to consult before changes are made to the Methodology and that Ofgem can direct NESO to further consult on rejected proposals. Several stakeholders shared their concern about the lack of a robust process which they considered would make it challenging for them to raise feedback and for NESO to process industry suggestions outside of the annual review process.

A couple of respondents disagreed with the addition to the licence providing for a requirement to only consult when significant updates to the Methodology are made, considering that consultation on all changes was particularly crucial in the first year post-TMO4+ implementation.

Several stakeholders requested that we explain further what is meant by 'significant' updates, on which NESO would be required to consult and how insignificant changes would be communicated to the industry. One response noted that the proposed drafting did not set out a minimum notice period for any updates prior to the Application Window.

Clarity was requested regarding the expectations on NESO to develop the Gate 2 Criteria Methodology and Ofgem's approach to assessing changes to the Methodology against the objectives set out in the licence. One respondent challenged the selective approach to the Methodology objectives listed in the licence, the inclusion of the undefined term "readiness" within them, and the inconsistency between the objectives of the three Connections Methodologies. They also suggested removal of references to the CUSC objectives, considering that Connections Methodologies would be subsidiary to the licence, and not the CUSC.

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NESO requested that the drafting be made clearer in paragraph E15.2 to indicate that NESO would not be in breach of the licence when the Methodology does not meet the objectives defined in paragraph E15.2. NESO also noted that E15.3 refers to the ISOP verifying evidence when in some cases it would be the DNOs verifying the evidence issued to them. Additionally, calling objectives “relevant” in the licence can be viewed as confusing. One respondent flagged that the proposed drafting in E15.8 reads as though the requirements in E15.9 onwards may apply only for updates which have been requested by Ofgem.

### Our decision

- 2.45 Subject to the below, we have decided to introduce the changes as set out in the policy consultation and the further amendments as consulted on in the statutory consultation. These modifications ensure consistency across licence conditions and the three Connections Methodologies. They will also provide clarity on the governance processes NESO will be expected to follow to effectively implement and manage processes set out by the Gate 2 Criteria Methodology.
- 2.46 In light of NESO’s new and enhanced responsibilities, including driving the coordinated development of the whole energy system, we consider it appropriate for NESO, through its licence, to be charged with having greater control over the connections process, in particular, through the Connections Methodologies. Nevertheless, clear and transparent obligations in relation to the Methodology amendment and consultation processes introduced by this licence condition assure that industry stakeholders will be able to influence the development of the Connections Methodologies. We acknowledge stakeholder desire to have more involvement in the evolution of the Connections Methodologies, and the strong signal that a process for change control is required. As a result of this feedback and to ensure the licence reflects our intent for the Methodology governance processes, we have embedded a check at the Authority level within the licence text when any modifications are considered by NESO, which is explained in more detail in the following paragraphs:
- (a) Under condition E15.9, any changes to the Connections Methodologies, either flowing from NESO’s ongoing (and at least annual) review under condition E15.5, or flowing from the Authority’s instructions under condition E15.8, will need to be consulted on, unless otherwise agreed with the Authority. Our intention is for NESO to always undertake a

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meaningful consultation with all relevant parties, including network companies, when it is reasonable to do so. This ensures market participants are given the opportunity to feedback on changes proposed, which will improve NESO decision making and ensure its transparency.

- (b) Additionally, as per condition E15.14, Ofgem will also be able to direct NESO to further consult if it deems it appropriate following its decision to reject.
- (c) Following feedback received on the statutory consultation, we removed references to “significant updates” and amended condition E15.9 to specify that the Authority can agree to waive the consultation requirement. We only expect to do so when the proposed changes to the Connections Methodologies are administrative, clarificatory or in other limited circumstances where consulting would not be practicable or beneficial. Always requiring consultation on any changes to the Connections Methodologies would be impractical, particularly in exceptional circumstances, such as the implementation of the TMO4+ reform package and the ‘Gate 2 to Whole Queue’ (G2tWQ) exercise.
- (d) While housekeeping updates may not require consultation, we would generally expect NESO to wait to introduce them in the (at least) annual review process. If there is a case for making changes not requiring consultation outside of this review cycle, we expect NESO to set out in a letter to the Authority why it would not be proportionate to consult.

2.47 For the sake of consistency of obligations and to minimise the risk of conflict, we have endeavoured to ensure that the Connections Methodology objectives align with licensees’ wider, statutory obligations. We have not sought to replicate the entirety of duties contained in the Energy Act 2023, as NESO is required to comply with these in any case. Rather, we intend for the objectives that are appropriate and specific to each Methodology to provide the basis for our assessment of these Connections Methodologies. All objectives, as consulted on and set out in the license, will be equally considered when assessing their corresponding Connections Methodologies. Our position on each objective has been further set out in the associated Decisions on the Connections Methodologies.

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- 2.48 We have amended Part B of E15 to clarify the intent set out above. These changes have also been applied to the equivalent paragraphs in sections E16 and E17 of the NESO licence.
- 2.49 We agree that drafting improvements proposed by NESO clarify the intent of the obligations. The clarification in E15.2 to indicate that the Methodology must meet the objectives serves to account for any changing external factors which would require NESO to propose updates to the document. While we have endeavoured to make the language of the objectives as all-encompassing and non-specific as possible, the extent to which the objectives are met might be disputed in the future. The annual review obligation is in place to address and rectify any such instances. Therefore, we have decided not to make any further changes to the objectives of the Gate 2 Methodology, with the exception of including the updated "Strategic Plan" reference.
- 2.50 We have made minor drafting improvements to clauses E15.3 and removed references to the "relevant" objectives.

### **Condition E16 (new): Connection Network Design Methodology (E13 in the policy consultation)**

#### **Changes consulted on**

- 2.51 **In the policy consultation**, we proposed a new condition that would require NESO to establish and maintain the CNDM.
- 2.52 Part A, paragraph E13.2 of this proposed new condition set out specific requirements on the licensee on the creation and contents of the CNDM. The licence set out that the Methodology document should specify the process that NESO, TOs and DNOs must follow when making connections offers, identifying relevant enabling and wider works.
- 2.53 Part A, paragraph E13.3 set out the objectives and established a robust governance and oversight framework for the creation, modification and ongoing review of this Methodology.
- 2.54 Part B, paragraphs E13.4-E13.10 included specific obligations in relation to establishing and maintaining the CNDM. These included:
- A requirement on the licensee to produce, regularly review and update the CNDM; and
  - An established and robust governance and oversight framework (including the Authority approval process in Part C, paragraphs E13.11-E13.15) for the creation and ongoing review of the Methodology.

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- 2.55 Part D, paragraph 13.6 proposed to introduce a requirement on the licensee to publish the Methodology.
- 2.56 We also proposed that the CNDM define the process by which licensees would assess connection applications in terms of strategic alignment, network planning and anticipatory investment, as well as the G2tWQ exercise.
- 2.57 **In the statutory consultation**, we changed E13 to E16. This was to minimise the impact of adding new conditions on paragraph numbering of existing conditions.
- 2.58 E16.2(a) was edited to add a reference to modifications of existing agreements also being subject to the CNDM, to align the wording with the proposed drafting of condition E17 (Project Designation Methodology).
- 2.59 E16.2(b) was edited to include the new term "Strategic Energy System Plan" as defined under condition A1 of this document.
- 2.60 In paragraph E16.3 of the NESO licence specifying CNDM objectives, we changed four sub-clauses E16.3(ii), (iii), (iv), and (vi) to ensure consistency across all three Connections Methodologies and provide clarity on objectives that the CNDM is required to meet.
- 2.61 We deleted the last clause E16.3(vii) where the requirement to align with wider obligations was specified, as this would be expected in any event, and we had not specified this in relation to other Connections Methodologies.
- 2.62 In paragraph E16.6 and E16.7 we clarified that the process of identifying and consulting on changes to the Methodology related to 'significant' updates.
- 2.63 Paragraph E16.14(b) was changed to reflect the change set out above under condition E15.14(b) to clarify that the Authority can give direction to NESO that it needs to further consult.

#### **Question asked in the statutory consultation:**

Do you agree with the proposed new Condition E16 (formerly E13) of the Electricity System Operator Licence?

### Summary of stakeholder responses

Responses raised in relation to condition E16 and the CNDM largely mirrored stakeholders' views expressed in relation to the Gate 2 Criteria Methodology (condition

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E15) set out above. Seven out of 13 respondents stated they agreed with the proposals. While it was noted that the condition clearly sets out the obligations of the ISOP in relation to the Methodology, three respondents requested clarity around: the expectation on NESO to engage with industry, Ofgem's assessment of the updates against the objectives, and an explanation of who the 'interested parties' that NESO must consult with are. Six stakeholders who disagreed with the proposals referred to the same issues as we have summarised in relation to the Gate 2 Criteria Methodology section above. In addition to the views provided in response to the previous question, a respondent stated there is a need for additional formal collaboration with TOs during the development and review of the CNDM.

In addition to views expressed in relation to condition E15, a respondent commented on the wording of objective (iv) in E16.3 "facilitate appropriate anticipatory investment" stating that "anticipatory investment" does not have a standardised meaning.

A stakeholder noted that the licence should be clear on the approach to determining and communicating the implementation date of the Methodology in light of the 56-day standstill period following the licence update. The current drafting of E16.16 suggests licensees will only be made aware of the implementation date within the approval notice published by the Authority, and there is no minimum notice period specified. Another stakeholder noted that the approved, updated CNDM must be published in advance of the implementation date to give TOs a reasonable period to review and implement the final, approved amendments.

NESO pointed out several drafting improvements, including the use of the defined term 'Authorised Distributor' and a few referencing errors.

### **Our decision**

- 2.64 Subject to the below, we have decided to introduce the changes as set out in the policy consultation and the further amendments presented in the statutory consultation. Licence condition E16 sets out how NESO should assess applications and their interaction with network and strategic energy planning and identify opportunities for anticipatory investment. It also specifies the process that needs to be followed when reassessing agreements following advancement requests or termination of other agreements.
- 2.65 These modifications ensure consistency across licence conditions and the three Connections Methodologies. They will also provide clarity on the governance processes NESO will be expected to follow to effectively implement and manage the CNDM.

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- 2.66 The CNDM, as well as the other Connection Methodologies will be implemented following expiry of the 56-day standstill period after the publication of this licence change decision. On an ongoing basis, as set out in paragraph E16.16 and equivalent paragraphs in E15 and E17, the NESO must publish the updated Methodology on its website by the date specified by the Authority in its approval decision. We will ensure affected parties are given sufficient time after the publication of our final decision on updates to Connections Methodologies to prepare for their implementation.
- 2.67 As stated in the previous section, we consider that the objectives as consulted on are appropriate and specific to each Methodology. The associated decision on the CNDM sets out what is understood by anticipatory investment and the ways in which the CNDM facilitates it (see section: 'Licence objective 4: facilitate appropriate anticipatory investment').
- 2.68 We have amended paragraph E16.2(b) to include the updated term "Strategic Plan" as per the modified definition in section A1 of the NESO licence.
- 2.69 We have made further changes to the governance process, including consultation requirements, of the CNDM as done for the Gate 2 Criteria Methodology (as set out in relation to condition E15) above. We will not reiterate the above points in full, but as stated in paragraph 2.46 a), all relevant parties, including TOs shall be consulted on any significant changes to the CNDM, specifically considering that these changes may relate to any clauses setting out TO obligations. Shortcomings identified by TOs will be considered and may constitute grounds for an Ofgem-directed review of the Methodology and a subsequent consultation.
- 2.70 We have addressed the minor drafting issues and included the term "Authorised Distributor".

### **Condition E17 (new): Project Designation Methodology (E14 in the policy consultation)**

#### **Changes consulted on**

- 2.71 **In the policy consultation**, we proposed introducing a new condition which would require NESO to establish and maintain the new Project Designation Methodology. Part A, paragraph E14.2 set out the purpose of this Methodology: to specify the information and evidence the NESO would require when assessing projects for designation and the process to verify the evidence submitted by applicants.

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- 2.72 E14.3 set out the requirement on the licensee to follow the Designation Criteria - the criteria that the NESO would apply to identify and designate strategically important projects with potential system-wide or security of supply implications.
- 2.73 In paragraphs E14.4 – E14.5, we set out a governance process that NESO must follow while designating projects. The framework set out in the licence included the requirement to submit rationale and consult on minded-to Decisions.
- 2.74 In part B, paragraphs E14.6-E14.14 included specific obligations in relation to establishing and maintaining the 'Connection Network Design Methodology'. These included:
- the criteria that the NESO would apply to identify and designate strategically important projects with potential system-wide or security of supply implications;
  - a defined set of objectives of the Project Designation Methodology which also provided the criteria against which the Project Designation Methodology would be reviewed;
  - a requirement on the licensee to produce, regularly review and update the Project Designation Methodology; and
  - an established and robust governance and oversight frameworks (including the Authority approval process in Part C, paragraphs E14.15-E14.19) for the creation and ongoing review of the Methodology.
- 2.75 Part D, paragraph 14.20 proposed to introduce a requirement on the licensee to publish the Methodology.
- 2.76 **In the statutory consultation**, we changed E14 to E17. This was to minimise the impact of adding new conditions onto paragraph numbering of existing conditions.
- 2.77 We added a sub-clause (f) to the paragraph E17.3 to include designation of projects not meeting the specified criteria as agreed with the Authority.
- 2.78 In paragraph E17.4, to cater for the G2tWQ exercise under CMP435 for existing agreements, we added a clarification 'unless otherwise agreed in advance with Authority', so that if NESO considers a consultation impractical, it can ask the Authority to be exempted from this requirement.



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- 2.79 Two new paragraphs, E17.6 and E17.7 were added to provide for Ofgem to have a veto power over NESO's decision on whether or not to designate projects. Ofgem would have 28 days to exercise such a veto and if no response was provided within 28 days, then NESO would be able to proceed with its decision as if it had been approved by Ofgem.
- 2.80 In paragraph E17.10 of the NESO licence, where we are specifying the objectives, we changed four clauses E17.10 (b), (c), (d) and (e), to make the language consistent with the other Connections Methodologies.
- 2.81 E17.10(f) was edited to include the new term "Strategic Energy System Plan", which was defined in condition A1 of the licence.
- 2.82 In paragraph E17.12 and E17.13 we clarified that the process of identifying and consulting on changes to the Methodology related to 'significant' updates.
- 2.83 Paragraphs E17.3(d) and (e) and E17.20(b) were changed to reflect the change set out above under condition E15.

#### Question asked in the statutory consultation:

Do you agree with the proposed new Condition E17 (formerly E14) of the Electricity System Operator Licence?

### Summary of stakeholder responses

Responses submitted in relation to condition E17 and the Project Designation Methodology largely mirrored stakeholders' views expressed in relation to the Gate 2 Criteria Methodology (condition E15) set out above. The obligations set out by condition E17 were generally seen as appropriate. The addition of Ofgem's power to veto designation decisions was appreciated. A stakeholder welcomed the recognition that consultation on designation decisions is not always necessary and considered it appropriate for Ofgem to ensure a NESO designation is consulted on when required. Several concerns related to the insufficient length of the consultation period following significant updates to the Methodology, lack of a formalised consultation processes, as well as selectivity and consistency of the objectives of the Project Designation Methodology. A stakeholder asked for a clarification on who the 'interested parties' NESO is required to consult are and what is meant by 'insignificant' updates to the Methodology.

Additionally, one stakeholder stated that condition E17 should include an established appeals process as a safeguard for customers whose projects have been wrongly excluded.

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Several stakeholders stated that E17.4 which permits NESO not to consult project designation decisions if agreed with Ofgem, should be time limited or added as an exception for the purposes of the G2tWQ exercise.

A respondent suggested that the drafting of E17.14 is unclear and reads as though the requirements in E17.15 onwards may apply only for updates which have been requested by Ofgem.

NESO proposed minor drafting and referencing improvements.

### **Our decision**

- 2.84 Subject to the below, we have decided to introduce the changes as set out in the policy consultation and the further amendments as presented in the statutory consultation, with a further modification to include an obligation for the Methodology to set out a disputes process. These modifications ensure consistency across licence conditions and the three Connections Methodologies. They will also provide clarity on the governance processes NESO will be expected to follow to effectively implement and manage processes set out by the Project Designation Methodology.
- 2.85 The clarification in the licence that Ofgem shall be given a power to veto designation and non-designation of projects gives the Authority discretion to decide whether to invite reconsideration or direct a new decision where it deems that appropriate.
- 2.86 While we believe the Authority should have the ability to review NESO's designation decisions, we acknowledge that the expertise on determining the projects to designate sits with NESO. Furthermore, the review process should not hinder NESO's ability to proceed. Therefore, we have decided to include the clarification that if Ofgem does not decide to reject the designation proposal within 28 days, NESO can consider it to be approved. Additionally, we do not consider it practical for NESO to consult on all designation decisions, specifically where such decisions relate to projects that are critical to system security and stability and a delay caused by consultation could lead to adverse impacts. Therefore, we have decided to retain the current wording in E17.4 to reflect that NESO will not be required to consult where the Authority agrees with this approach.
- 2.87 We believe there should be a disputes process in place at all times. To ensure that and provide additional clarity to both the licensee and customers, we have introduced explicit wording in paragraph E17.9 (e) of the licence to set out the

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obligation for the disputes process. We consider this to be a relatively low risk change which will in turn, increase customer benefit, in line with our statutory duties and objectives of the licence.

- 2.88 We have made further changes to the governance process, including consultation requirements, of the Project Designation Methodology as done for the Gate 2 Criteria Methodology (as set out in relation to condition E15) above. Our response to the Methodology governance-related concerns has also been set out in that section and will not be reiterated here.
- 2.89 We have updated the objective E17.3(d) to include the updated term “Strategic Plan” as defined in section A1. We have also amended paragraph E17.3 to address a typographical error. The clause now refers to all relevant subpoints, (a)-(e), and not (a)-(d) as stated earlier.

### **Condition E12: Requirement to offer terms (E15 in the policy consultation)**

#### **Changes consulted on**

- 2.90 **In the policy consultation**, we consulted on a new paragraph E15.3 (now E12.3). This new paragraph set out the requirement for the licensee to offer a Bilateral Agreement or a Construction Agreement to all applicants applying for a new connection or a modification to an existing connection. The intent of this proposed paragraph was for this obligation to be discharged in accordance with new “Connections Process” as defined in the CUSC and the Connections Methodologies.
- 2.91 We also proposed to modify paragraph E15.4 (E12.4) by adding references to the CNDM to require the licensee to notify other STC parties of making an offer for connection or modification to an existing connection in accordance with the CNDM. This was in addition to the existing requirement to align with the STC.
- 2.92 Further, we proposed to modify paragraph E15.5 (now E12.5). The proposed change was an additional sentence clarifying that, under the reformed process, NESO would only be required to offer a Gate 2 agreement to applications who:
- have requested a Gate 2 offer, are required to meet Gate 2 Criteria and NESO confirms the Criteria have been met; or
  - have requested a Gate 2 offer and are not required to meet the Gate 2 Criteria.
- 2.93 We proposed to add paragraph E15.6 (now E12.6) to require the NESO to provide a Gate 1 agreement to applicants who have applied for a Gate 2 offer

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but do not meet the Gate 2 Criteria. The paragraph specified that only indicative provisions would be made for such applicants.

- 2.94 We proposed a new paragraph E15.7 (E12.7) to require the NESO to enter into a bilateral agreement with applicants who have applied for Gate 1 offers. These applications would not require the 'full' agreement and offers will contain indicative connection dates and point of connections.
- 2.95 We proposed a new paragraph E15.9 (E12.9) to require the NESO to establish application windows. The paragraph set out the requirements for the application window frequency (at least once a year) and duration (open at least for 2 weeks and no more than 4 weeks). It also required the NESO to send notices to stakeholders of upcoming application windows at least 3 months in advance.
- 2.96 We proposed to modify paragraph E15.14 (E12.14) in clauses b) and c) to indicate that the projects which did not have to apply within the gated process would still receive their offers within 3 months, while the ones that apply through gated process should receive their offers within 6 months.
- 2.97 Stakeholders' responses to the policy consultation concerned three key areas: timescale for the requirement to make an offer, types of offers, and application windows.
- 2.98 **In the statutory consultation**, we proposed to amend paragraph E12.6 by modifying sub-clauses (a) and (b), to provide additional clarity on when indicative date of connection and point of connection are not required to be stated in the offer.
- 2.99 We proposed to amend paragraph E12.7 to clarify that a Gate 1 agreement must also be offered where an applicant holds a connection agreement and does not request to modify it, as set out in CMP435.
- 2.100 Paragraph E12.9 was amended to make the following changes:
- (a) Clarification that application windows only apply to certain types of applications, ie those required to meet the Gate 2 Criteria and applications not required to meet the criteria but still going through the gated process.
  - (b) Application windows 'must' (instead of 'should') occur 'at least' once annually, with an expectation that there will be two windows per annum.

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(c) Application window must be open for a minimum of 2 and a maximum of 6 weeks (changed from 2-4 weeks previously proposed in the policy consultation).

2.101 NESO should give all stakeholders (not just customers as stated in the policy consultation), 4 weeks' notice before the window opens (reduced from the proposed 3 months' notice previously in the policy consultation).

2.102 Paragraph E12.14 clause (c) was changed to introduce the requirement on NESO to make a connection offer within 7.5 months (instead of 6 months).

2.103 We made changes reflecting the use of Gate 1 and Gate 2 terminology in this condition, as set out in this section under condition A1 in this document.

### Summary of stakeholder responses

Eight out of 12 respondents agreed with the proposals and provided further comments. The majority of respondents expressed a concern about the Application Window notice period being too short which could impact on customers' ability to prepare applications. Some stakeholders also argued the 7.5 month offer provision period exceeds industry expectations, while others stated it will not be sufficient time to account for the Pause mandated by CMP435. While stakeholders broadly agreed that the timeframes might be adequate for the time of TMO4+ reform package implementation, the processes should be monitored and timeframes adjusted accordingly as the proposed timeframes might not be adequate as an enduring solution.

NESO proposed minor drafting and referencing improvements.

#### Question asked in the statutory consultation:

Do you agree with the proposed licence changes to Condition E12 of the Electricity System Operator Licence?

### Our decision

2.104 We have decided to introduce the changes as set out in the policy consultation and the further amendments as presented in the statutory consultation, with the exception of modifying the obligation setting out the application window notice period.

2.105 The changes will allow licensee obligations to be discharged in accordance with new connections process as defined in the CUSC and the Connections Methodologies.

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- 2.106 The licence modifications are aligned with the proposed TMO4+ code modifications to the CUSC, clarifying in which instances NESO is required to enter into a Gate 2 agreement. The new paragraphs also ensure a clear outcome for applicants who have applied for a Gate 2 offer but have not met the Gate 2 Criteria. The contents of agreements for Gate 1 applications are also clarified.
- 2.107 We consider that the 4-week notice period for the application window should be the minimum guaranteed notice period given to the industry and that this will specifically the G2tWQ and the timings of the first window. However, in light of industry feedback we have decided that an 8-week period will be the optimal notice period and would provide increased benefit to customers. We have therefore modified the paragraph E12.14(c) in licence text to reflect this.
- 2.108 We have also decided to implement the change made to the period given to NESO for offering terms from the closing of the application window, which is now 7.5 months, as set out in paragraph E12.9. This is to account for the additional time required to complete application competency checks under the new process. We consider this a suitable solution which provides NESO with sufficient time to process and issue a high volume of complex offers. It is also noted that, as a part of coming to this decision, the 7.5 months period is a 'no later than' timeframe, with an expectation that where offers can be issued sooner by NESO, that is done. We also consider this a suitable period in light of the associated decision to approve the CMP435 original proposal which does not include a 2–4-week Pause for Gate 2 qualified applicants to assess the viability of their projects.
- 2.109 These timeframe requirements placed on NESO ensure a realistic timeline for the discharge of obligations. Our expectation is that this timeframe will be revisited in the future, when more information is available on the duration of processes and volume of applications.
- 2.110 We have amended paragraph E12.5 to refer to "details in (e) and (f) and any relevant details below" to caveat that not all details set out in (a)-(g) will be relevant to all applications.
- 2.111 We have addressed other minor drafting issues to make the obligations clearer.

### 3. Electricity Transmission Standard Licence Conditions

In this section, we have set out what changes we consulted on and summarised stakeholder responses to these changes.

We have also set out and justified our decisions relating to changes made to the Electricity Transmission Licence Standard Licence Conditions.

#### **Condition D1: Interpretation of Section D**

##### **Changes consulted on**

- 3.1 **In our policy consultation**, we proposed to add new definitions to the Transmission Licence that would reflect the new concepts and process that will be introduced under the TMO4+ package. In most cases, these modifications related to the Connections Methodologies. Our intent was to align the relevant definitions in the Transmission licence with the definitional changes contained within the Electricity System Operator Licence above – with the exception of a definition for the CP2030 Energy Plan, which we proposed to add to the Electricity System Operator Licence and not to the Transmission Licence.
- 3.2 We proposed to add to condition D1 the definitions of:
- “Connections Criteria”
  - “Connections Criteria Methodology”
  - “Connections Methodologies”
  - “Connections Network Design Methodology”
  - “Connections Process”
  - “Designation Criteria”
  - “Project Designation Methodology”
- 3.3 The intent of this was to ensure that relevant definitions were provided for the various new Connections Methodologies that the TOs would be required to refer to.
- 3.4 At the time of the policy consultation, we chose not to define nor make references to “Gate 1” and “Gate 2” in the licence, preferring instead to make only those changes that we viewed as necessary to facilitate the implementation of the relevant CUSC modifications, while avoiding duplication

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in the licence. In general, this was to avoid making unnecessary additions and changes to the licence and to ensure that any changes to the codes or Connections Methodologies in the future do not also require licence changes.

- 3.5 **In the statutory consultation**, further to what had been proposed in the policy consultation, we proposed to modify section D1.1 by amending the “connections process” definition to clarify that connection applications will be as assessed and offers will be provided in accordance with the DCUSA, as well as with the CUSC, STC, and Connections Methodologies.
- 3.6 We also proposed to amend the earlier proposed terms of “connections criteria” and “connections methodology” to “Gate 2 Criteria” and “Gate 2 Criteria Methodology” respectively, as well as to add definitions for “Gate 1” and “Gate 2”.

#### **Question asked in the statutory consultation:**

Do you agree with the proposed licence changes to Condition D1 of the Electricity Transmission Standard Licence?

### Summary of stakeholder responses

The majority of respondents broadly agreed with our proposed definitions and policy intent, and considered that the proposed legal text sufficiently reflected the changes required for the implementation of TMO4+ reform package. Stakeholders agreed with updating the connections process definitions to include DCUSA, which provides further clarity that the Distribution process still must be followed.

While stakeholders generally welcomed the addition of “Gate 1” and “Gate 2”, one respondent noted that the new Gate 1 and Gate 2 definitions had not been used in the drafting and could cause confusion as Gate 1 and Gate 2 are not stages of connection but different types of offer/agreement.

A respondent suggested that reservation should be a defined term in condition D1 to remove the possibility of perceived subjectivity within the Gate 1 reservation process.

One of the responses requested a further addition to definitions of the three Connections Methodologies, in order to clarify that these definitions refer to the documents in which the Methodologies are set out.

Furthermore, a stakeholder observed that the Offshore Electricity Transmission (OFTO) section of standard conditions does not contain the equivalent of condition D1: Interpretation of section D, and suggested adding a new section E1: Interpretation of Section E.



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- 3.7 We have decided to add the new definitions, as set out in the statutory consultation, to condition D1. We have also decided to modify the "Gate 1" and "Gate 2" definitions.
- 3.8 These new definitions will facilitate the new concepts and processes introduced under the new connections process and will align the definitions in the Transmission licence with those in the modified Electricity System Operator Licence. These modifications also ensure consistency across licence conditions and the three Connections Methodologies.
- 3.9 As explained in the equivalent NESO condition above, defining "Gate 1" and "Gate 2" in the licence ensures consistency across licence texts, Connections Methodologies, and the TMO4+ code modifications. This licence also refers to and includes definitions for Gate 2 Criteria Methodology and Gate 2 Criteria. Therefore, including a definition for Gate 2 ensures the use of these terms is clear. We have aligned the definitions with the terms included in the NESO licence and modified them to clarify that these terms relate to types of offers as defined in the CUSC.
- 3.10 Strategic alignment criteria and requirements will be defined in the Connections Methodologies, and our licence changes will require compliance with these Connections Methodologies. This approach ensures alignment with relevant strategic plans, and that any subsequent change to the strategic alignment criteria do not require a corresponding change to the licence.
- 3.11 We have decided not to define "Reservation" in the licence. As outlined in the Gate 2 Criteria Methodology, offers made in Gate 1 with capacity reserved by NESO (specific to the project) will not need to meet the Gate 2 Criteria to receive a connection location and date (although will eventually be required to meet Gate 2 Criteria). This is because of the connection design process for these types of projects: the content of the offers for these projects cannot be dictated by the licence, as the specifics are determined through the design process that occurs in Gate 2. Further, reservation is a defined term in the CUSC and STC, and its characteristics are further set out in section 6.5 of the CNDM. Our intention not to define this term in the licence has been described in the paragraph 2.29 of chapter 2 above.
- 3.12 We have amended the three Connections Methodologies definitions to specify the conditions of the NESO licence that set out the specific documents these definitions refer to.

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- 3.13 We have decided not to include the equivalent of condition D1 in the OFTO E1 section of the Transmission licence. The new definitions as set out above remain the same for both Onshore and Offshore sections. Moreover, section E1 is not used and we do not believe adding this condition will add material value.

### **Condition D4A: Obligations in relation to offers for connection etc. (Transmission Owners)**

#### **Changes consulted on**

- 3.14 **In the policy consultation**, we proposed to amend condition D4A to set out the obligations of Transmission licensees after a connection application is received by NESO, in line with the proposed changes to the TMO4+ CUSC and STC code modifications.
- 3.15 Under TMO4+, Transmission licensees' obligations would change based on the type of connection application made to NESO by Users. We proposed to update current Transmission licence conditions, which only specified one type of offer, to reflect the new connections process that would include two types of offers:
- Gate 2 offer containing the site-specific details for applications which have requested a Gate 2 offer and meet the Gate 2 Criteria and applications which are not required to meet the Gate 2 Criteria.
  - Gate 1 offer containing fewer site-specific details and an indicative connection date for applications required to meet but not meeting the Gate 2 Criteria.
- 3.16 We proposed to modify paragraph D4A.1 to enable the new connections process effectively by outlining the different obligations of Transmission licensees. These would differ depending on the nature of the offer that is made to the applicant. Licensees' obligations to enter into agreements specifying site-specific details relating to works and costs are set out in paragraph D4A.1, and we proposed to modify this clause so that the obligation under D4A.1 applies only to applications eligible for Gate 2 connection offers.
- 3.17 We proposed an additional obligation in paragraph D4A.2 on licensees to offer to enter into agreements with NESO when NESO receives an application that does not meet the Gate 2 Criteria (and Gate 1 offer needs to be issued) and established the obligations on licensees. The agreements would contain fewer site-specific details and include indicative connection dates.
- 3.18 Because we proposed to add new provisions under paragraph 2 of D4A, we also proposed to amend the number of paragraphs that followed the current

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licence (paragraphs 2, 3, 4 and 5), by moving their number by one, so that they become respectively paragraphs 3, 4, 5 and 6. Considering the provisions for each respective paragraph, we also proposed the following changes:

- a) In paragraph D4.3 (formerly D4A.2), we proposed to amend this to clarify that the requirement applies to terms offered under both the new D4A.2 and D4A.1 (that is, to both “indicative” and “firm” agreements offered by the ISOP to a CUSC User).
- b) In paragraph D4A.4 (formerly D4A.3), we proposed to change the reference to existing conditions in order to make sure that they match the order and numbering of licence conditions as originally intended.
- c) We proposed to maintain D4A.6 (formerly D4A.5) as it was, so that the non-confidential report provided under this section would only include information about “full” agreements: agreements that have either met, or are not required to meet, Gate 2 Criteria.

- 3.19 **In the statutory consultation**, following feedback from respondents to the policy consultation, we proposed to further amend paragraph D4A.2 to clarify that for Gate 1 offers, licensees would be required to provide “indicative” information when notified by NESO, without the need to issue a Transmission Owner Construction Offers (TOCOs) or enter into an agreement with NESO.

#### **Question asked in the statutory consultation:**

Do you agree with the proposed further licence changes to Condition D4A of the Electricity Transmission Standard Licence?

### Summary of stakeholder responses

The majority of the respondents agreed with our changes to condition D4A of the Electricity Transmission Licence, stating that the proposed licence change to condition D4A provides greater clarity and transparency regarding the obligations of TOs in relation to connections offers, which will help reduce uncertainty for customers.

Several stakeholders were happy to see that much of the feedback on the policy consultation had been reflected in the statutory consultation and suggested additional clarity around Gate 1 offers. Some stakeholders have suggested that TOs should be involved in the Gate 1 capacity reservation offers process, and believed this involvement should be incorporated into the TO's licensing obligations.

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Some respondents suggested reviewing the process of initial roll-out of Gate 1 with capacity reservation, and said that implementation should be monitored to ensure that the licences are effective and do not create unintended barriers.

One respondent provided feedback that D4A.1 and D4A.2 should be redrafted for clarity on offers that the CNDM applies to and the reference to E12.5 of the NESO licence in D4A.2 should be reconsidered as it does not relate to Gate 1 offers.

A couple of respondents stated that D4A.1 should be redrafted to clarify that TOs have no role in assessing whether the Gate 2 Criteria have been met.

A respondent suggested amending D4A to highlight that the connection offers may be modified following a request from either party, which would provide reassurance to licensees that offers may be modified due to factors beyond the control of TOs.

One stakeholder pointed out that it should be considered how the obligation on TOs to provide indicative information to NESO to support issuing Gate 1 offers (D4A.2) interacts with CM095.

There was a suggestion with respect to D4A.3 that there is no timescale for TOCOs set out in the STC proposal under CM095. Instead, it is set out in the Gated Timetable to be published by NESO. The stakeholder stated that this may present operational risk as there is no formal route for the TOs to appeal or any obligation on NESO to consider reasonable TO inputs in developing the timetable.

Stakeholders requested clarity with regards to D4A.6, which refers to timely connections reporting in respect to the G2tWQ exercise considering the burden on TOs to rework the queue to existing timescales.

### **Our decision**

- 3.20 We have decided to introduce the changes consulted on, with certain additions as set out below.
- 3.21 The modification of paragraph D4A.1 as consulted on, will effectively enable the new connections process by outlining the different obligations of Transmission licensees. The change introduced serves to clarify that the obligation under D4A.1 applies only to applications eligible for Gate 2 connection offers. We have now added a clarification to highlight that the ISOP shall confirm whether Gate 2 Criteria have been met where a project is required to meet the criteria. We believe this addition makes clear that there are no obligations on TOs to assess compliance with such criteria.

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- 3.22 We do not consider it practical or necessary to specify in the licence that offers may be modified due to factors beyond the licensee's control. This is the case under the status quo and is not a consequence of the changes introduced by the TMO4+ reform package.
- 3.23 As stated in paragraphs 2.29 and 3.11 above, we have decided not to define "Reservation" in the licence because it is sufficiently set out in the CUSC, STC and further elements described in section 6.5 of the CNDM which we have also approved. Defining this term in the licence would compromise the ability to iterate its meaning in future. This could include putting further restrictive or expansive parameters around it in CNDM. We will continue to monitor how it is used and any subsequent changes to the term will require industry engagement.
- 3.24 We recognise the importance of the TOs' involvement in the capacity reservation offer process. Paragraph D4A.1 details provisions needed to be made with regards to applications not required to meet the Gate 2 Criteria at a specific point in time, namely on notification by NESO of receipt of such application for connection (as per the opening paragraph of D4A.1). This holds true for Gate 1 with reservation projects considering these are not required to meet Gate 2 Criteria at that point in order to receive a Gate 1 offer containing specific provisions detailed in D4A.1 (although are eventually required to meet Gate 2 Criteria). Therefore, we consider that this paragraph in the licence sufficiently captures such applications. Further, the capacity reservation offer process is detailed in section 6.5 of the CNDM, and TOs are required to adhere to the guidelines set forth in the CNDM. Therefore, we believe that the existing licence provisions are sufficient as TOs must comply with the STC and CNDM when issuing TOCOs in relation to all projects, including Gate 1 with reservation.
- 3.25 Insertion of the new paragraph D4A.2 as consulted on, clarifies that licensees are required to provide "indicative" information when notified by NESO for Gate 1 offers without the use of a TOCO or entering into an agreement with NESO. We consider that TOs should be involved in the Gate 1 offer process as the information exchange with NESO will enable efficient network design and implementation of future works. We consider this a more practical approach that brings clarity and streamlines TO processes. We note the lack of explicit provision in CM095 on TOs to fulfil this obligation. However, TOs as the licensees have not expressed concern with regards to the discharge of this requirement. The obligation in paragraph D4A.2 of the Transmission licence

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formalises the exchange of information between NESO and TOs in relation to Gate 1 offer provision and is complementary to the processes and the exchange of information as described in the CNDM, specifically the TO review of the desktop exercise conducted by NESO for Gate 1 offers. Therefore, we believe this licence obligation is consistent with other elements and the overall intent of the TMO4+ reform package. This process should continue to be monitored after implementation to ensure it remains fit for purpose.

- 3.26 The obligation to issue TOCOs for Gate 1 offers, as defined in paragraph D4A.1 of the Transmission licence will apply only to Gate 1 offers with capacity reservation. TOs remain obligated to issue indicative information to NESO for applications that are subject to Gate 2 Criteria. The Gate 1 offer must comply with the CNDM; however, the indicative connection date and location do not have to be contained in a TOCO.
- 3.27 We recognise the concern related to the timescale for TOCO provision. However, we consider it is appropriate for NESO to develop the timetable given its role as system operator. We expect NESO to set a timetable that takes account of TOs' needs and in doing so, to consider the impact on all parties.
- 3.28 We have decided to amend paragraph D4A.2(c) to enhance clarity and consistency. Condition D4A.2 outlines the obligation of TOs to submit information to the ISOP that aligns with the CNDM (where applicable), rather than to enter into agreement with the ISOP. Therefore, we have rephrased the paragraph to specify that "further information" may be required, replacing the former drafting referring to "further terms of the agreement".
- 3.29 As the CNDM may not be applicable to all applicants, specifically those not required to meet the Gate 2 Criteria, we have decided to remove the reference to this Methodology from paragraphs D4A.1 and D4A.2. However, as per the principal obligation in D18, TOs must act consistently with the CNDM and provide information to NESO where required. Therefore, TOs must also discharge their obligations in section D4A in accordance with the CNDM where applicable, regardless of the removal of the specific reference to the Methodology.
- 3.30 We consider the reference to paragraph E12.5 of the NESO licence relevant to the obligation in D4A.2 as it relates to applicants who apply for a Gate 2 offer. Paragraph D4A.2 of the Transmission licence sets out the type of information TOs will provide to NESO when such applicants do not meet the Gate 2 Criteria.

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- 3.31 We acknowledge the reporting requirement set out in condition D4A.6 and the timeline around it. We recognise that this obligation might not be fit for purpose considering the current circumstances and the G2tWQ exercise taking place in the near future. We will review this requirement going forward to assess whether the timeframes and the reporting frequency need to be modified in light of the reformed connections process.

### **Condition D5 Prohibition on engaging in preferential or discriminatory behaviour**

#### **Changes consulted on**

- 3.32 We did not propose changes to this licence condition under either of the consultations.

#### **Summary of stakeholder responses**

One stakeholder proposed that the new condition 19.1A of the Distribution Licence should be included in standard licence condition (SLC) D5 of the transmission Licence to ensure consistency and greater reassurance.

#### **Our decision**

- 3.33 We have decided not to incorporate the explicit wording stating that “the licensee shall not be in breach of this condition in the compliant application, implementation or facilitation of the connections process” into the Transmission licence. We do not believe this wording needs to be included as the TOs do not contract directly with customers and do not undertake project designation nor assessment of Gate 2 Criteria fulfilment which might be perceived as providing additional commercial advantage.

### **Condition D16: Requirements of a Connect and Manage connection**

#### **Changes consulted on**

- 3.34 **In the policy consultation**, subject to the approval of the modifications to section 17 of the CUSC and section D of the STC, we proposed that the requirement for Connect and Manage offers should only apply to connection applications that meet the Gate 2 Criteria. The existing provisions in D16 did not recognise this difference, and we proposed to amend paragraph D16.1 to make it clear which applications this condition applies to, as well as to align with licence condition D4A.
- 3.35 We also clarified in paragraph D16.3, that the existing requirement to use all reasonable endeavours to complete enabling works should be consistent with

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the timelines required by the newly defined connections process. We also proposed that this is consistent with the CNDM and the Connect and Manage applicant's reasonable expectations as to connection date, as notified to the TO by NESO.

- 3.36 We proposed to amend paragraph D16.5 to introduce the requirement on the licensees to cooperate with the ISOP in facilitating the making of offers to Connect and Manage applicants according to a timeline that is consistent with the requirements of the amended STC and the connections process.
- 3.37 **In the statutory consultation**, we proposed to further amend paragraph D16.1 to clarify which Connect and Manage applicants are eligible to receive a Gate 2 offer. We also amended this paragraph to align the wording with D4A.1 to facilitate the new connections process by clearly outlining the different obligations of Transmission licensees.
- 3.38 We also proposed to further amend paragraph D16.3 to remove the requirement to align the completion of the enabling works to the connections process. Instead, we recommended an obligation on the licensees to complete the enabling works in line with the applicant's reasonable expectations and the requirements contained in the CNDM.

#### **Question asked in the statutory consultation:**

Do you agree with the proposed licence changes to Condition D16 of the Electricity Transmission Standard Licence?

### Summary of stakeholder responses

The majority of the respondents agreed with our proposed changes and welcomed the amendments in statutory consultation following feedback from the respondents. With regards to D16.3, respondents suggested redrafting to ensure consistency with the CNDM. A respondent suggested that an equivalent obligation against the TO for interconnector Gate 1 Agreements with reserved capacity be included within the Electricity Transmission Standard Licence.

There was an observation made by respondents about minor corrections required to ensure cross references are accurate.

### Our decision

- 3.39 We have decided to introduce the changes consulted on with further drafting clarifications in D16.3.



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- 3.40 The modification to paragraph D16.1 as consulted on, serves to clarify that the requirement for Connect and Manage offers would apply only to connection applications that meet the Gate 2 Criteria. The reason for this modification is to clarify the difference between Gate 1 and Gate 2 offers, specifying which type of applicant this condition applies to, as well as to align with licence condition D4A.
- 3.41 We have now decided to further modify condition D16.3 to clarify that the timescale for a Connect and Manage connection should be consistent with the CNDM, as well as with an applicant's reasonable expectations. This clarification combined with the changes previously consulted on, aligns this obligation with the timelines required by the newly defined connections process. This is to ensure consistency between the licence and the Methodology and to account for any potential future changes to the Methodology in that regard. Further, we believe that having the requirement for the enabling works completion to be consistent with the CNDM enables licensees to input into what is considered 'reasonable', both in terms of licensee endeavours and the applicant's expectations. This would be done via CNDM regular reviews and consultations undertaken by NESO. The drafting we initially proposed and linking this obligation to the requirements of the CNDM would allow licensees to propose updates and caveats to be included in future iterations of the Methodology, to reflect the challenges of creating a reliable and efficient infrastructure. Furthermore, the duty to protect customers is set out in governing legislation and setting reasonable customer expectations as the baseline for the delivery of a connection date ensures the customers' best interests are protected.
- 3.42 We have decided to modify paragraph D16.5 in line with the changes consulted on to require that the licensees cooperate with the ISOP to facilitate the making of offers to Connect and Manage transferees according to a timeline that is consistent with the requirements of the amended STC and the newly defined "connections process".

### **Condition D18 (New): Requirements to comply with Connection Network Design Methodology for Use of System and Connection (Transmission Owners)**

#### **Changes consulted on**

- 3.43 **In the policy consultation**, we proposed to amend condition D18 introduce an obligation on licence holders to comply with the CNDM as well as cooperate with NESO to produce and maintain the CNDM, and facilitate information

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exchange. In D18.2, we proposed to introduce a requirement to provide NESO with information needed for maintenance of the CNDM.

- 3.44 Taking into account stakeholder representations, we proposed to amend the objectives of the CNDM document set out in Part A of condition E13 (now E16 of the NESO licence).
- 3.45 **In the statutory consultation**, no further changes were proposed to this licence condition.

#### Question asked in the statutory consultation:

Do you agree that no further changes should be made to the proposed new Condition D18 of the Electricity Transmission Standard Licence?

### Summary of stakeholder responses

Most respondents agreed with the proposed changes. Some respondents suggested that specific guidance is needed regarding the expectations for the Onshore TOs to comply with D18.1 to ensure clarity and adherence. Some respondents suggested redrafting D18.1 to clarify which specific parts of the CNDM TOs are required to comply with and putting an obligation on the NESO to consult with relevant parties with an obligation to comply with the CNDM before making any future changes.

A stakeholder observed that it is unclear and difficult for the TOs to evidence compliance with the obligation to facilitate objectives set out in ISOP licence (paragraph D18.1) regarding the CNDM objectives.

### Our decision

- 3.46 We have decided to introduce the changes as consulted on, with the exception of removing the obligation to facilitate Methodology objectives. The new condition, as consulted on, obliges licence holders to cooperate with the ISOP in the administration and requirements of the CNDM. To effectively administer the Methodology with the relevant objectives, the ISOP will rely on the cooperation of TOs and provision of information to fulfil this purpose.
- 3.47 As stated in paragraph 2.69 of this decision, it is our intent that NESO maintain the CNDM in cooperation with TOs as we consider their input essential for this purpose. This cooperation entails due consideration of TOs' feedback provided to NESO and the Authority outside of the annual review cycle, as well as any views provided in response to the public consultation undertaken as part of the annual review cycle mandated by the NESO licence. Our expectation is for TOs to also be involved in the maintenance of the Methodology via information

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provision to NESO, as set out in paragraph D18.2. The data and information that NESO may reasonably require will be essential to understand the impacts of any obligations and processes set out in the Methodology and we believe it is in the interests of all parties for TOs to cooperate and influence the CNDM. This condition is already being met by TOs' engagement in working groups, responding to consultations and information and data submissions currently being provided.

- 3.48 We have decided to remove the obligation to facilitate the objectives of the CNDM set out in part A of condition E13 of the NESO licence. We consider that the remainder of the obligations set out in D18 of the Transmission licence sufficiently capture other, more practical ways that TOs will support the maintenance of the Methodology.
- 3.49 The information provided to NESO to support the CNDM will be used to deliver the government objectives of the CP2030 Action Plan. As an independent public body, the information required will solely be used by NESO for the purposes of reassessing the connections queue and assessing new Gate 1 and Gate 2 applications under the reformed connections process. Because of this, we deem that the requirement to provide information to NESO as it may reasonably require is appropriate under the CNDM and the licence.
- 3.50 These changes combined will enhance cooperation between Transmission licensees and the ISOP, ensuring that the CNDM is optimised to meet the relevant objectives, and ultimately to facilitate a more coordinated and strategic approach to network design.
- 3.51 We have addressed cross-referencing issues in paragraph D18.2.

### **Condition E17 Obligations in relation to offers for connection etc. (Offshore Transmission Owners)**

#### **Changes consulted on**

- 3.52 **In the policy consultation**, we proposed to modify E17 to ensure the obligations on Offshore Transmission Owners replicate those for Onshore Transmission Owners.
- 3.53 We proposed to modify E17.2 to clarify that the new requirements in paragraph E17.2 would only apply to connection applications that are required to meet, and do meet, the Gate 2 Criteria, as well as applications which are not required to meet the Gate 2 Criteria (ie Gate 2 offers).

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- 3.54 In paragraph E17.3, we set out proposed requirements in relation to issuing offers to applicants who are required to but fail to meet the Gate 2 Criteria (ie Gate 1 offers). We also proposed that these offers and subsequent agreements with the NESO contain fewer details than Gate 2 offers.
- 3.55 Our proposed changes in the policy consultation also sought to bring clarity that terms should be provided as soon as reasonably practicable for both Gate 1 and Gate 2 agreements.
- 3.56 We also amended E17.4 (formerly E17.3) and E17.5 (formerly E17.4) to ensure that cross references remain correct.
- 3.57 **In the statutory consultation**, in light of the industry feedback, we proposed to further amend paragraph E17.3 to require licensees to provide information to NESO when NESO receives an application that does not meet the Gate 2 Criteria (and Gate 1 offer needs to be issued) and established the obligations on licensees. This change is reflective of the change in paragraph D4A.2 of the Transmission licence.

#### Question asked in the statutory consultation:

Do you agree with the proposed changes to Condition E17 of the Electricity Transmission Standard Licence?

### Summary of stakeholder responses

Many of the respondent did not respond to this section as it was not applicable to them; of those who did, they agreed with the proposed changes.

Some respondents pointed out the need for this licence condition to be reviewed in the future to ensure it remains consistent with any further development of the connection process.

A respondent suggested that it should be considered whether CATOs should be treated like other applicants and if not, whether this is appropriate and consistent with the aims of the TMO4+ reform package. Another respondent suggested that in order for the proposals in E17 to remain adequate, CATOs should have access to the STC which will give them same role and responsibilities as Onshore TOs in facilitating the gated process.

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#### Our decision

- 3.58 We have decided to introduce the changes as consulted on. This modification to condition E17 ensures the obligations on Offshore Transmission Owners (OFTOs) replicate those for Onshore Transmission Owners.
- 3.59 The modification to paragraph E17.2 clarifies the new requirements on OFTOs regarding offers for connection applications that are required to meet and do meet the Gate 2 Criteria as well as applications which are not required to meet the Gate 2 Criteria (ie Gate 2 offers). This ensures consistency across the licence conditions and alignment with the new connections process set out by the TMO4+ code modifications and the Connections Methodologies.
- 3.60 We have removed the reference to the CNDM from E17.2 and E17.3 for the reasons set out in paragraph 3.29 above (section D4A).
- 3.61 The modified clause E17.3 clarifies the requirements on OFTOs to provide indicative information to NESO in respect to applications which are required to but fail to meet the Gate 2 Criteria (ie Gate 1 offers). Modifying this paragraph aligns with the changes proposed in paragraph D4A.2 of the Transmission licence, as per the rationale set out in section relating to D4A.
- 3.62 We have now decided that E17.3 should include a reference to paragraph E17.6 (as well as the existing references to E17.3 and E17.5) as OFTO is prohibited from entering into a connection agreement where this paragraph applies.
- 3.63 We have decided not to add any obligations on NESO regarding the review of CATOs. Ofgem has recently approved a separate code modification CM086 concerning introducing CATOs into the STC.<sup>6</sup> Considering this change has been approved, a defined process within the STC will outline how CATOs will operate. Since CATOs have been introduced into the STC and became licensed TOs, they will have the same role in the gated connections process for connecting users as other onshore TOs in the connections process and facilitating the gated process as necessary, according to the amendments made in CM095 and the Transmission licence.
- 3.64 This new process, like other elements of the reformed connections process, will be kept under review. Further guidance or licence modifications will be considered should these provisions prove insufficient in future.

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<sup>6</sup> [CM086: Introducing Competitively Appointed Transmission Owners and Transmission Service Providers - Authority decision | Ofgem](#)

**Condition E25 (New): Requirements to comply with Connection Network Design Methodology for Use of System and connection (Offshore Transmission Owners)**

**Changes consulted on**

- 3.65 **In the policy consultation**, we proposed to add a new condition E25 to mirror Condition D18 above, which places the same obligation on OFTOs as D18 does for Onshore TOs.
- 3.66 We considered stakeholder representations in response to our policy consultation and proposed no further changes to this licence condition **in the statutory consultation**.

**Question asked in the statutory consultation:**

Do you agree that no further changes to the new proposed condition E25 of the Electricity Transmission Standard Licence are required?

**Summary of stakeholder responses**

All six stakeholders who answered this question agreed with the proposed changes. However, one respondent noted that sharing commercially sensitive information should not be required to support the CNDM.

**Our decision**

- 3.67 We have decided to add the new condition E25 to mirror Condition D18 above, which places the same obligation on OFTOs as D18 does for Onshore TOs. It will require OFTOs to comply with the CNDM and the provision on information to the ISOP.
- 3.68 This new condition E25 will enhance cooperation between Transmission licensees and the ISOP, ensuring that the CNDM is optimised to meet the relevant objectives, and ultimately to facilitate a more coordinated and strategic approach to network design.
- 3.69 As explained in paragraph 3.48 above, we have decided to remove the obligation to facilitate objectives of the CNDM.
- 3.70 We recognise the concerns raised on sharing commercially sensitive information and about there being no clear process that NESO must follow when requesting information. We have decided, however, not to add any restriction, nor to set out a process of information sharing in the licence

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obligation. We expect NESO only to request information that it needs to understand the impacts of any obligations and processes set out in the Methodology. The relevant terms of E25 are such that NESO can only require information where it is reasonable for it to do so and, only as necessary for the purposes of ensuring that the CNDM can remain in force. We expect that any commercially sensitive data will be sufficiently anonymised and protected as per the legally binding requirements.

- 3.71 We have addressed the paragraph numbering issue present in the statutory consultation.

## **4. Electricity Transmission Licence Special Conditions**

### **Changes consulted on**

- 4.1 We did not propose any changes to the Electricity Transmission Special Licence Conditions.

### **Stakeholder responses**

A couple of stakeholders noted that it would be necessary to update the definition of the “Timely Connections Incentive”. This would need to reflect the different timescales on Onshore TOs to make a connection offer as prescribed in the STC and relevant STC Procedures for non-gated, G2tWQ and enduring gated applications.

### **Our decision**

- 4.2 We recognise this change should be considered to ensure TOs are not unrightfully penalised for non-compliance with the timeframes. However, as the associated System Transmission Code Procedure modifications<sup>7</sup> will not be reviewed until a later point in time, we have decided not to amend the “Timely Connections Incentive” for the time being. This issue and related licence modifications will be considered as part of the End-to-End review<sup>8</sup> which will be undertaken after the implementation of the TMO4+ reform package.

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<sup>7</sup> [PM0142 Application of Gate 2 Criteria to existing contracted background | National Energy System Operator](#) and [PM0143 Implementing Connection Reform | National Energy System Operator](#)

<sup>8</sup> [Connections end-to-end review of the regulatory framework | Ofgem](#)



## 5. Electricity Distribution Standard Licence Conditions

In this section, we have explained the changes we consulted on and have summarised stakeholder responses to these changes.

We have also set out and justified our decisions relating to changes made to the Distribution Licence Standard Licence Conditions.

### **Condition 1: Definitions for the standard conditions**

#### **Changes consulted on**

- 5.1 **In our policy consultation**, we stated that some definitions in the Distribution licence would have to be modified – and some new definitions would have to be added – to ensure that the new concepts introduced by the TMO4+ reform package were reflected in the licence.
- 5.2 **In the statutory consultation**, we proposed several new definitions. We also proposed introducing definitions of “Gate 1” and “Gate 2”. These terms refer to the stages of the connections process established by the Connections Methodologies and would therefore be defined as: “the connection stage of this type as defined in the Connections Methodologies”.
- 5.3 Further, we proposed to define ‘Gate 2 Criteria’, as “Criteria specified in the Gate 2 Criteria Methodology”. We also proposed to define each of the Connections Methodologies individually, and to include a separate definition of “Connections Methodologies” as an umbrella term that would be used to refer to all three Connections Methodologies. This was consistent with the approach taken in the System Operator and Transmission Licences.
- 5.4 In accordance with the changes proposed to other licences, we also proposed including a new definition of “connections process”. This is a general term that refers to all stages of the process for assessing connection applications and making connections offers.

#### **Question asked in the statutory consultation:**

Do you agree with the proposed licence changes to Condition 1 of the Electricity Distribution Standard Licence?

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#### Summary of stakeholder responses

The majority of respondents were in full agreement with the changes we proposed to Condition 1. Respondents who did not agree with all changes expressed concerns about the clarity of some definitions, as well as about the inclusion of definitions which are not referenced elsewhere in the Distribution licence.

Three respondents suggested that in the definition of "Connections Methodologies", the words "as applicable" should be a standalone clause, so as to clarify that the defined term applies to all three of the Connections Methodologies referenced in the definition.

Five respondents suggested that in the definition of "Connections Network Design Methodology", the words "of that name" or "of that title" should be inserted after the word "document". Respondents suggested that this same change should be included after the word "document" in the definitions of "Project Designation Methodology" and "Gate 2 Criteria Methodology".

Some respondents asked that the definitions for "Gate 1" and "Gate 2" be removed from Condition 1, as these terms are not used in the Distribution licence outside of Condition 1.

Five respondents proposed alternative definitions of "connections process", and suggested removing the terms "Transmission Owners" and "Offshore Transmission Owners" from the definition as these terms are not defined in the Distribution licence. Four respondents suggested that the term "Gate 2 Methodology" should be changed to "Gate 2 Criteria Methodology" to align with the title of NESO's methodology document.

One respondent provided feedback regarding the language used in the definitions of Gate 1 and Gate 2, stating that these are not connections "stages" but rather connection offer types.

Finally, one respondent suggested that a definition of "EA Cut Off Date" be added to Condition 1, with the definition: "has the meaning given to it in the CUSC".

#### Our decision

- 5.5 We have decided to add definitions of "Gate 1", "Gate 2", "Gate 2 Criteria" "Connections Methodologies", and "Connections Process", as proposed in our statutory consultation. For the reasons set out below, we have decided to modify the definitions of "Gate 1" and "Gate 2".
- 5.6 We have also decided to add the previously consulted on definitions of "Connections Network Design Methodology", "Gate 2 Criteria Methodology", and "Project Designation Methodology. However, after assessing the responses

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we received to the statutory consultation, we have decided to make minor modifications to these definitions by adding references to the NESO licence conditions that establish the Methodology in question. We are of the view that this addition improves the clarity of the definitions by more closely specifying the document that is being referred to, and making it easier for interested parties to cross-refer between the relevant licences. This approach is aligned with the definitions included in the NESO and Transmission licences.

- 5.7 While we recognise stakeholders' comments that the terms "Gate 1" and "Gate 2" are not used elsewhere in the Distribution licence, we are of the view that adding these terms ensures consistency across licence texts, Connections Methodologies, and the TMO4+ code modifications. This licence also refers to and includes definitions of "Gate 2 Criteria Methodology" and "Gate 2 Criteria". Therefore, including a definition of "Gate 2" ensures that the use of these terms is clear. This is, again, in response to stakeholder responses highlighting the need to be consistent throughout inter-related aspects of the electricity regulatory regime.
- 5.8 In line with stakeholder feedback, we have decided to change the wording of the definition of "Gate 1" and "Gate 2" so that these refer to connection offer "types", rather than to connection "stages". We agree that this language is more accurate and is consistent with the use of those terms elsewhere.
- 5.9 We have decided to retain the definition of "Connections Methodologies" as proposed in the statutory consultation. Our view is that the placement of the words "as applicable" makes it sufficiently clear that this definition refers to all three Connections Methodologies.
- 5.10 We have decided to change the term "Gate 2 Methodology" to "Gate 2 Criteria Methodology". This is consistent with the wording used in the Connections Methodologies and other licences.
- 5.11 While we recognise that some respondents proposed that we modify the definition of "Connections Process", we are of the view that, instead of having different definitions in each licence, the definitions should be aligned across the Distribution and Transmission licences, and we are therefore not making any further amendments. For the avoidance of doubt, the term "Connections Process" refers to the entirety of the obligations related to the process of connecting customers, and not just to the gated process.
- 5.12 We recognise the ask from one stakeholder to include a definition of "EA Cut Off Date". We are of the view that it is not necessary to include this definition

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in the Distribution licence. This term is not defined in the Transmission licence, and as we stated in the statutory consultation, our view remains that definitions should, as far as possible, be consistent across Distribution and Transmission licences, to ensure consistency and clarity across the regulatory framework.

### **Condition 4: No abuse of licensee's special position**

#### **Changes consulted on**

- 5.13 **In our policy consultation**, we suggested that changes to this condition may be required if new obligations were placed on DNOs to assess applications in terms of alignment with both the CP2030 Action Plan and the SSEP.
- 5.14 **The statutory consultation** subsequently proposed changes to the licence that would facilitate the implementation of this scenario.
- 5.15 SLC 4 of the licence requires that the licensee does not operate its Distribution business in a way that restricts, prevents or distorts competition. In the statutory consultation, we proposed an amendment to clarify that licensees will not breach this condition where they abide by the requirements of the ISOP connections process, and/or are implementing any decisions the ISOP may make under that process. The reason we proposed this change is that when making connection offers under TMO4+, DNOs will apply a degree of selectivity (based on Connections Methodologies) that was not envisioned when the licence was originally drafted. Several licence holders expressed concern that the application of the new connections process by DNOs could potentially be misinterpreted as an abuse of their special position, and suggested including drafting to make it clear that this was not the case. Our initial view, expressed in our previous consultations, was that we did not think that the proper application of the connections process by DNOs would constitute an abuse of their special position – but that we did nonetheless see some merit in making this position explicit in the licence.

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#### Question asked in the statutory consultation:

Do you agree with the proposed licence changes to Condition 4 of the Electricity Distribution Standard Licence?

### Summary of stakeholder responses

The majority of responses relating to this condition were positive.

The three respondents who did not agree with all the proposed changes suggested the following alteration of the drafting we proposed for sub-clause 4.1A: add the words “or in connection with” after the words “any decisions the ISOP may make under”.

### Our decision

- 5.16 We maintain our proposal from the statutory consultation: we have decided to amend condition 4 to clarify that licensees will not breach SLC 4 if they are abiding by the requirements of the ISOP connections process, and/or implementing any decisions the ISOP may make under that process.
- 5.17 We do not think that it is necessary to add the words “or in connection with” to paragraph 4.1A of this condition. We are of the view that the wording proposed in the statutory consultation appropriately specifies the conditions under which the licensee shall not be in breach of paragraph 4.1.
- 5.18 Further, in the interests of clarifying the relevant requirements, the words “or facilitation” are removed from 4.1A. We consider that this wording was too broad; it would have been difficult for DNOs to produce evidence that this requirement had been complied with, or for Ofgem to take enforcement action on the basis that it had not. The modifications we are making to this condition are consistent with the wider licencing regime, such as condition B3 within the NESO licence.
- 5.19 Equally, to ensure absolute clarity, we have also added the word “of” before “any decision the ISOP may make under the connections process”.
- 5.20 Although we do not think that correctly following the connections process would constitute an abuse of the licensee’s special position (because the new connections rules will apply in the same way to all), we do recognise the benefits of making the position explicit in the licence. In particular, we are making this change in recognition of industry concerns, and to address the ask to provide a maximum level of clarity and transparency about the role of DNOs in the administration of the new connections process.

**Condition 12: Requirement to offer terms for Use of System and connection**

**Changes consulted on**

- 5.21 **In our policy consultation**, we considered that changes would be required to this condition. This included changes to reflect the fact that in some circumstances, the licensee will only be required to provide a Gate 2 offer if the applicant has met the Gate 2 Criteria.
- 5.22 Our proposal was to amend this condition to allow the DNOs to apply a degree of selectivity based on Government strategic plans. This was to reflect the fact that under the reformed connections process, DNOs would have a function at distribution level that was broadly analogous to the function of NESO in relation to Transmission-level connections: they would be required to (provisionally) assess applications according to the criteria set out in the Connections Methodologies, and to offer terms for connection on that basis.
- 5.23 **In the statutory consultation**, due to the nature of the responses from stakeholders, we proposed that the licence should be clear on licensees' obligation to offer terms to existing and new Users who are subject to (and who meet) the Gate 2 Criteria, and that it should also clearly set out the extent of the obligation to offer terms when those criteria are not – or do not need to be – met. We also proposed an amendment to specify that, for Distribution Users not in scope of the TMO4+ reforms (i.e. not subject to the Gate 2 Criteria), the licensee would be required to provide a connection date, as per the existing obligation.
- 5.24 We therefore proposed to modify paragraph 12.2, requiring DNOs to comply with the connections process (including their new obligations under the TMO4+ Code Modifications and Connections Methodologies where relevant) when connection applications are received on or after the cut off date set out by the CUSC, or before the cut over date for existing connections customers and for the purposes of the G2TWQ exercise. The date is defined as the 'EA [existing arrangements] Cut Off date' in CMP435 and means 23:59 on the day preceding CMP435 implementation date. The date is assumed to be 56 calendar days after the Authority's decision to approve the code modification.
- 5.25 We also proposed to modify paragraph 12.4 to require DNOs to offer a date by which works will be completed only to those projects that meet the Gate 2 Criteria. Under our proposed amendments to this condition, if NESO informs a DNO that the project does not meet the Gate 2 Criteria, it will not be required

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to offer a connection date. We also proposed to reflect this in the licence text by adding such projects to the list of exceptions under paragraph 12.7.

- 5.26 We proposed to insert paragraph 12.4A specifying that, for connection customers holding connection agreements, the connection date must be provided as soon as practicable after NESO has confirmed that the Gate 2 Criteria have been met. We also proposed to clarify (at 12.4A(b)) that the licensee is not required to provide a date in the agreement if the project is subject to, but has not met, the Gate 2 Criteria.
- 5.27 We proposed extending paragraph 12.7 (Part F: Exceptions to the obligation to offer terms) to provide clarity on licensee obligations relating to terms offered to customers who do not meet the Gate 2 Criteria. Our view was that the licence should specify that there would be no requirement for the licensee to enter into an agreement for connection with a new customer if that customer is subject to, but has not met, the Gate 2 Criteria. Additionally, confirmation from NESO would not be required in this instance, as DNOs will be obligated to progress to NESO only those projects that they believe meet the criteria. This will enable NESO to undertake the final assessment.

#### **Question asked in the statutory consultation:**

Do you agree with the proposed licence changes to Condition 12 of the Electricity Distribution Standard Licence?

### Summary of stakeholder responses

Whilst the responses to the question associated with this condition were mostly positive, the majority of respondents included caveats to their agreement in their responses, and suggested refinements that would make the modifications more effective. These are detailed below.

Several respondents expressed concerns about the clarity of obligations regarding Gate 2 checks in paragraph 12.4A, and suggested that the licence text should make it clearer that if a project with an existing agreement for connection does not meet the Gate 2 Criteria, the licensee is not required to continue its performance of the existing agreement for connection.

One respondent suggested that this condition should directly require licensees to reflect, in any offer made to their customer under this condition, the terms of any termination or variation received from NESO as a consequence of the application of the Gate 2 Criteria.

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One respondent disagreed with the words “as soon as reasonably practicable” in sub-clause 12.4A(a), expressing concern that there is not a defined period for the ISOP to respond to the DNO with a date by which any works required for connection to the Distribution System will be completed.

Five respondents suggested that the wording in SLC 12.2A and 12.2B should be aligned with that in the rest of the licence condition, i.e. “on receiving a request from any person” rather than “Where the licensee has received a request” or “On receipt of a request”.

Six respondents suggested that 12.4(c)(i) should be merged with 12.4(c) and proposed alterations to the wording to make it clear that the proposed numeral (i) drafting applies only to Condition 12.4(c).

Two respondents said that the drafting should use the term “connection” rather than “project” in paragraph 12.4(c), citing concerns regarding consistency with the rest of the licence.

### **Our decision**

- 5.28 We have decided to implement all the changes to condition 12 as previously consulted on, with some further modifications that reflect the feedback we received in stakeholders’ responses to the statutory consultation.
- 5.29 We have decided to merge 12.4(c) with the subpoint (i). We agree that this drafting is clearer, with the subpoint being superfluous.
- 5.30 In line with respondents’ comments, we have decided to amend 12.4A to make it clear that the licensee is not required to continue its performance of an existing agreement for connection if that agreement relates to a project that does not meet the Gate 2 Criteria.
- 5.31 We have decided to remove the use of the word “project” in paragraph 12.4(c) and replace this with “connection”. This ensures consistency with the other clauses in condition 12.
- 5.32 We have decided not to include an explicit requirement for licensees to reflect the terms of any termination or variation received from NESO in the connection offers – including the modification of existing offers – that they subsequently make to their customers. While this would have made it explicit that changes to existing agreements under this condition were made in order to effect variations made by NESO in its agreements with the licensee, we consider that this fact is already well-established by the conditions in the licence (including this one) that require DNOs to follow the connections process



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and to implement the final assessments made by NESO. Our view, therefore, is that making this change would not have provided any additional clarity on the nature of the licensee's obligations.

- 5.33 We have decided not to implement set timeframes in 12.4A for when the DNO is required to provide the completion date of any works required for connection. This is because DNOs rely on Transmission works, timings of which are outside of their control. We therefore think that a specific time limit would be too prescriptive, and have instead opted to retain the current drafting, which requires the licensee to provide the relevant information as soon as reasonably practicable. Our view is that this approach will avoid undue delays, while ensuring sufficient flexibility to account for the various factors that may affect timeframes.
- 5.34 It is our view that the licence should provide clarity on the circumstances under which connection dates should be provided as part of the application process. It is also our view that the obligations set out in the Distribution licence should align with the process for Transmission-connecting generation customers. We consider that the proposal achieves that.
- 5.35 We have made other minor drafting improvements for the sake of clarity, and to ensure consistency of terminology across the distribution licence, as well as relevant conditions in other electricity licences.

## **Condition 19: Prohibition of discrimination under Chapters 4 and 5**

### Changes consulted on

- 5.36 **In our policy consultation**, we expressed the view that no changes to this condition were required. This was based on our position that the project prioritisation benchmarks, which DNOs' decisions would be based upon, would not be discriminatory in nature because they would apply in the same way to all Users.
- 5.37 **In the statutory consultation**, recognising industry concerns and addressing the ask to provide a maximum level of clarity, we reconsidered our initial view, and proposed to make it explicit that implementation of the connections process does not constitute a breach of this licence condition.
- 5.38 We therefore proposed to state in the new condition 19.1A that the licensee will not breach condition 19 in abiding by the requirements of the ISOP connections process and/or any decisions that the ISOP may make under that process.

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- 5.39 Condition 19 was also to be modified to state that licensees are not to 'unduly' discriminate when implementing the new process. This aligned condition 19 with the equivalent paragraph B3.3 in the Electricity System Operator licence and D5 in the Transmission licence. Consequently, a greater level of clarity would be provided to all interested parties.

#### **Question asked in the statutory consultation:**

Do you agree with the proposed licence changes to Condition 19 of the Electricity Distribution Standard Licence?

### Summary of stakeholder responses

The responses relating to this condition were positive. The two respondents that did not agree with all the proposed changes suggested minor additions to the licence text in condition 19.1A. NESO asked that changes made to condition B3 of the Electricity System Operator licence are consistent with those made to Condition 19.

### Our decision

- 5.40 We have decided to implement all the changes to condition 19 as consulted on.
- 5.41 Regarding 19.1A, our view is that the proper application of the new connections process by DNOs would not have been discriminatory without changes to this licence condition. However, similar to condition 4 above, we acknowledge that the majority of stakeholders previously requested that this position be explicitly incorporated into the licence text. We agree that this is a sensible approach.
- 5.42 Our decision to include the word "unduly" in condition 19 is based on our view that the wording in the separate electricity licences should be aligned as closely as possible, and insofar as it is practical to do so. The amendment of condition 19 to require that licensees do not "unduly" discriminate aligns the wording in this condition with the equivalent paragraphs B3.3 in the Electricity System Operator licence and D5 in the Transmission licence.
- 5.43 Similar to condition 4 above, we do not think that it is necessary to add the words "or in relation to" to paragraph 19.1A of this condition as proposed by some stakeholders. We are of the view that the wording proposed in the statutory consultation appropriately specifies the conditions under which the licensee shall not be in breach of paragraph 19.1. For maximum clarity, however, and to address this point, we have added the word "of" before "and/or any decisions the ISOP may make".

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### **Condition 20: Compliance with Core Industry Documents**

#### **Changes consulted on**

- 5.44 **In our policy consultation**, we proposed that under both Scenario 1 and 2, licence changes would be needed to authorise DNOs to change the way they process connection requests (e.g. an explicit licence obligation to align with wider strategic government objectives when assessing applications).
- 5.45 As an appropriate means of achieving that, we considered designation of any government strategic plans in the licence. This would have introduced a specific obligation requiring DNOs to assess connections applications against the strategic criteria and the objectives contained within strategic plans.
- 5.46 **In the statutory consultation** we reassessed our initial approach and proposed that no changes to this licence condition would be made. This was based on our view that there is no added value in explicitly referencing the CP2030 Action Plan and the SSEP (or any other future government energy based strategic plan) in the new licence text.

#### **Question asked in the statutory consultation:**

Do you agree that no change is required to condition 20 of the Electricity Distribution Standard Licence?

#### **Summary of stakeholder responses**

All respondents agreed that no change is required to Condition 20.

#### **Our decision**

- 5.47 We have decided to make no changes to this licence condition.
- 5.48 Under the new connections process, DNOs will have to comply with the Connections Methodologies, which themselves set out strategic alignment criteria, as contained within the CP2030 Action Plan and the SSEP.
- 5.49 In light of the higher degree of industry engagement about the Connections Methodologies design, and the fact that these documents set out the same relevant obligations as strategic plans, we consider it more appropriate to enact strategic alignment obligations via compliance with the Connections Methodologies themselves in the new licence text. Our decisions within condition 1 and condition 12 underpin the decision not to make changes to condition 20, as the modifications we have made to these conditions support the new requirements that will be placed on DNOs, and do not require that we

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incorporate a distinct obligation for compliance with strategic plans in condition 20 of the Distribution licence.

### **Condition 12A (New): Requirement to progress User applications for Transmission assessment**

#### **Changes consulted on**

- 5.50 **In our policy consultation**, we proposed the addition of a new licence condition with four parts: 12A.1, 12A.2, 12A.3 and 12A.4. We considered that these conditions would be necessary to underpin the new role that DNOs would have in the reformed connections process, and to require them to perform it in a timely manner. We considered that the licence may need to be amended to require DNOs to conduct initial checks against the Gate 2 Criteria (12A.1), to conduct those checks in a timely manner (12A.2), and to progress successful applications by submitting a Transmission Evaluation Application within the soonest available application window (12A.3 and 12A.4).
- 5.51 We proposed that there would be different conditions for different classes of User, to reflect the different processes to be followed for small/medium and large embedded generators.
- 5.52 **In the statutory consultation** we stated that we no longer considered that separate conditions were necessary for each class of generator. Instead, we proposed language that would enable licence holders to perform their functions under the proposed new process in a manner that was compliant with the licence, without reproducing the detailed regulatory requirements that are properly contained in other documents.
- 5.53 We proposed a new condition 12A.1, which would require licensees to assess applicants against the Gate 2 Criteria and to communicate the outcome of those checks to the licensee. This condition would also ensure that applications that have met the Gate 2 Criteria are progressed as soon as reasonably practicable, and in accordance with the timeframes and processes specified in the CUSC and Connections Methodologies.
- 5.54 The proposed new 12A.2 would clarify that this condition only applies to projects that have applied for a connection, but have not yet been connected (these are, for the purposes of this condition, called "Relevant Projects") "Relevant Project" includes future applications for connection, as well as projects in the existing connections queue (including projects not yet – or only partially – energised as per the scope set out by CMP435). The inclusion of

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this condition would therefore require DNOs to undertake the one-off G2tWQ exercise in accordance with the revised CUSC and Connections Methodologies.

#### Question asked in the statutory consultation:

Do you agree with the proposed new Condition 12A of the Electricity Distribution Standard Licence?

### Summary of stakeholder responses

The majority of respondents disagreed with elements of the proposed new Condition 12A, and proposed clarificatory amendments that they suggested would more accurately define the nature and extent of the obligations. Among those that disagreed, a primary concern was a perceived lack of clarity regarding DNOs' obligation to perform Gate 2 checks in line with the Gate 2 Criteria Methodology.

One respondent stated that while DNOs are required to conduct some readiness checks and a preliminary assessment for strategic alignment, they cannot make a full assessment of Gate 2 Criteria before submitting an application to NESO: NESO will do its own assessment of readiness and strategic alignment, which will be final. Because any communication of the outcome of the DNO's review would only be part of the overall assessment, the respondent suggested that 12A.1 should oblige a DNO to inform its customers once NESO has informed it of the outcome of the full Gate 2 Criteria assessment.

Several respondents suggested that the licence should say explicitly in 12A.1 that DNOs must carry out only those checks (that is, provisional checks) that they are required to make under the Gate 2 Criteria Methodology. They said that this would remove any doubt that the obligation to undertake full and final checks lies with NESO. Respondents also suggested that 12A.1 clarify that licensees must review relevant projects in accordance with only the specific requirements of the CUSC that they are obliged to comply with.

One respondent expressed concern about the words "as soon as reasonably practicable" in 12A.1(c), their rationale being that this comes before the time stipulated in the CUSC, creating a two-tier obligation and one that is separate to the CUSC.

Several respondents stated that bullets 12A.2(a) and 12A.2(b) are not in line with the proposed process because they would require DNOs to process an application through Gate 2 assessment if the customer concurrently applied and provided their Gate 2 compliance declaration, while the intent is that DNOs will only progress customers through the Gate 2 process after they have accepted the Distribution connection offer.

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These respondents suggested removing the sub-conditions 12A.2(a) and 12A.2(b) and merging 12A.2(c) into paragraph 12A.2 to resolve this potential compliance issue.

### Our decision

- 5.55 We have decided to add the new condition 12A, which includes 12A.1 and 12A.2, in line with the proposal on which we most recently consulted. However, in response to the feedback we received from interested parties, we have included several further modifications as set out below.
- 5.56 Upon receipt of a connection application from an entity subject to the Gate 2 Criteria, the licensee will be required to assess that application against the criteria, and to progress successful applications into the gated process in the manner prescribed by the CUSC and Connections Methodologies. Stakeholders were concerned, however, that the new condition 12A did not adequately reflect these requirements. In light of those concerns, we have now modified paragraph 12A.1 and its sub-clauses to clarify that DNOs are only required to make checks as set out in the Connections Methodologies and the CUSC. Our intent is to make it clear that the assessment by DNOs is provisional. Distribution licensees do not undertake final Gate 2 checks. This is NESO's role: it is a requirement of the NESO licence, and has also been set out in the other documents that constitute the TMO4+ package of reforms.
- 5.57 Additionally, the changes made to condition 12A.1 align with changes to the CUSC via Workgroup Alternative CUSC Modification 2 (WACM2) of CMP434. In particular, the insertion of the term "as soon as reasonably practicable" into the licence text means that, when progressing applications into the transmission assessment process, DNOs will be expected to act expeditiously, while the reference to the CUSC timeframes ensures that this process will happen at least in accordance with the maximum timeframes codified by CMP434, i.e. 5 business days to provide the basic information required to create construction planning assumptions and 15 business days to provide full technical data after the closure of the Gate 2 Application Window.
- 5.58 We have modified paragraph 12A.2 to clarify that the term "Relevant Project" relates to modifications of existing connections, as well as to new connection applications that are required to meet Gate 2 Criteria. We have removed sub-clauses a) and b), which would have included in the definition of "Relevant Project" connection offers that had not yet been accepted. The amended condition now makes it clear that the requirement to carry out initial Gate 2 checks and progress applications into the transmission assessment process

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relates only to offers that have been accepted, and in order to make this explicit, we have included new sub-clauses a) - c) which specify that a "Relevant Project" is one in respect of which:

- (a) the licensee has issued an offer in response to the application; and
- (b) that offer has been accepted; and
- (c) the connection to the licensee's Distribution System has not yet been made.

- 5.59 It is our view that these changes address the areas respondents raised and provide clear operational obligations in the new connections process regime. The findings from the End-to-End review programme, currently being undertaken by Ofgem, will inform any further improvements on a more holistic basis.

## **6. Next Steps**

- 6.1 This decision is the final step in our consultation process for modification to licences related to the TMO4+ reform package, which will be implemented within 56 days after the published date of this decision. New Connection offers will then be provided to applicants through the post-decision period up to Q2 2026.
- 6.2 We will be monitoring and evaluating how the changes are operating against the benchmarks of success outline in the Impact Assessment. NESO are required to review the Connections Methodologies at least once a year, ie by April 2026.
- 6.3 A more comprehensive impact evaluation will be carried out within the next five years.