ESO

Meeting minutes

Connections Reform Steering Group

Date: 16/02/2023   Location: MS Teams

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Merlin Hyman, Regen, CHAIR	Attend	Claire Jones, Scottish Government	Attend
Neil Bennett, SSEN Transmission	Regrets	Michelle MacDonald Sandison, SSEN Transmission	Attend
Sally Boyd, PeakGen	Attend	Deborah, MacPherson, ScottishPower Renewables	Regrets
David Boyer, ENA	Attend	Andy Manning, Citizens Advice	Attend
Catherine Cleary, Roadnight Taylor	Attend	Su Neves e Brooks, ESO	Regrets
Zoe Dick, SSEN Transmission	Attend	James Norman, ESO	Attend
James Dickson, Transmission Investment	Attend	Mike Oxenham, ESO	Attend
Amy Freund, Ofgem	Attend	Jennifer Pride, Welsh Government	Attend
Chris Friedler, ADE	Regrets	Mike Robey, ESO, Technical Secretary	Attend
Garth Graham, SSE Generation	Attend	Patrick Smart, RES Group	Attend
Arjan Geveke, EIUG	Attend	Spencer Thompson, INA	Attend
Gemma Grimes, Solar Energy UK	Attend	John Twomey, National Grid Electricity Transmission	Attend
Gareth Hislop, Scottish Power Transmission	Attend	Charles Wood, Energy UK	Attend
Paul Hawker, DESNZ	Attend	Attendee name	Choose an item.

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Agenda

#	Topics to be discussed	
1.	Welcome and introductions	Merlin Hyman (15 minutes)
2.	Terms of Reference	James Norman (20 minutes)
3.	Overview of Connections Reform Phase 2	Mike Oxenham (30 minutes)
4.	Initial thoughts on strategic options	James Norman (45 minutes)
5.	Next meeting	Merlin Hyman (5 minutes)
6.	Any Other Business	Merlin Hyman (5 minutes)

Discussion and details

#	Minutes from meeting, including online meeting group text chat during meeting, where referenced as "[*From online chat*]"

1. Welcome

Steering Group members were Invited to share their views on what success looks like for Connections Reform:

Welcome the project; there's a need for connections reform and better queue management

For the market and industry to be confident that people gaming the system are removed and real participants have timely access.

Looking for pragmatic solutions that make a real difference

Getting to net zero and enabling quicker connections

A framework to enable those ready to connect to do so in line with customers need

Connect ready-to-go projects quicker. A more strategic and co-ordinated approach and better customer experience.

Fairness and streamlined approach

Ambitious, end-to-end, strategic

Facilitate co-ordination and alignment and at pace

Grid connections facilitated in timely manner, aligned with regulatory / political net zero goals

Tackle the challenges that exist, looking for progress at pace, co-ordinated and aligned with the direction of travel to net zero.

To enable achieving net zero in a quick and efficient way

Appropriate grid connections that enable financial agreements

Facilitate ready-to-connect projects in an efficient manner. Achieve net zero in strategic manner.

Clarity and transparency. Accelerate action with wider planning reform.

Timely, clear, fair.

Least cost, least negative impacts solution for Wales. Unlocking connection issues in Wales.

Connections supporting government objectives on net zero, economic development, housing etc. Ambitious, strategic longer-term impacts.

To achieve a realistic queue, be bold and make a difference.

To remove blockers to achieve net zero.

2. Terms of Reference

Steering Group questions and comments:

Please clarify what will be published, whether there will be attribution and whether members can share details with other stakeholders (e.g., via social media or to membership organisations). Member

proposal that Chatham House rules should be applied (i.e., comments not attributed to an individual or their affiliation)

ESO response – Steering Group agendas and meeting minutes will be published. Minutes to be published after Steering Group has reviewed and confirmed them as a fair record at the following meeting. Minutes will not be attributable. Additional documentation may be published (e.g., slide packs/papers taken to the Steering Group), but subject to confirmation by the Steering Group. Members are encouraged to share non-attributable and general themes of discussion, with stakeholders to help inform the Steering Group's discussion.

Purpose. Members proposed elevating key aspects of Connection Reform into the *Purpose* section of the ToR, such as the pace, ambition, strategic direction, drive to net zero.

Action 1.2.1.1: ESO to update the *Purpose* text and re-circulate.

Membership. There's a need to correct members' organisation details, add distribution network operator member details (once confirmed) and [*From online chat*] correct Scottish and Welsh Governments' references.

Action 1.2.1.2: ESO to update Steering Group member details.

Action 1.2.1: ESO to update and circulate the Terms of Reference, updating the narrative on purpose and membership details.

Action 1.2.2: To seek Steering Group agreement of updated Terms of Reference at meeting 2.

3. **Overview of Connections Reform Phase 2**

Steering Group questions and comments:

How will ESOs evaluation of options mid-sprint work? Are decisions being made at this point?

ESO response: ESO will carry out initial evaluation of options within the sprint in-part as a time efficient approach. Options will not be dropped at this point, but the pros and cons of each of the options will be presented for the next stakeholder workshops which will discuss and potentially prioritise options.

What is the process for the consultation at the end of this project?

ESO response: ESO will collate the output of the sprints into themes and will share this with the Steering Group prior to the publication of the consultation.

Is the Steering Group reviewing the design objectives, criteria and principles for connections reform?

ESO response: No, as the principles were developed in phase 1 of the project, but the Steering Group are encouraged to share any further thoughts.

Will the outputs be mapped to the design criteria?

ESO response: Yes, ESO will share the mapping within the consultation. This will include an assessment of how strong/weak the link between each option is to the design objectives.

Propose that Net Zero and energy security are more prominently presented as strategic overarching design objectives. To ensure alignment with policy objectives. And are Scottish and Welsh Governments included in the Delivery Partners Executive Group?

ESO response: Five design objectives emerged from phase 1 of the connections reform project and overarching these are achieving net zero, system operability and better cost outcomes for consumers. ESO will look to bring out the overarching objectives more clearly in the design objectives.

Future proofing is important. There's a need for greater efficiency, but this needs to be Net Zero efficient. On its own, a focus on efficiency might undermine this. Suggest removing 'efficiency' or changing this to 'appropriate' or similar. Efficient should also mean efficient in 2050, looking backwards to 2023.

The priority is for Net Zero transition. Recognise timeliness is important and efficiency. We must have costs for consumers in our mind throughout. Need balance of efficient cost and timely delivery of Net Zero. TOs have a licence obligation for efficient network development, which would need to be considered if there was any move away from efficiency wording.

Support the design principles and recognise the concern about the connections resourcing and capability concerns.

Timeliness of the impact of changes also needs to be considered.

What are the red lines / constraints on the scope of connections reform? Is this just for future applications to connect or will the current queue to connect also be in scope?

There aren't red lines at this stage, but some options may be prioritised over others where there is felt to be a benefit in doing so. It's important to also note that ESO is undertaking a series of tactical changes to connections, in parallel to this connections reform project. Tactical activities include the TEC amnesty and changes to battery modelling. The reform project also needs to be aware of ongoing relevant code modifications and other relevant initiatives such as the Reform of Electricity Market Arrangements (REMA).

Action 1.3.1 ESO to share details of who is contributing to the design sprint workshops, including which Steering Group members are participating.

Action 1.3.2: ESO to clarify how its evaluation of options activity within each design sprint will work at meeting 2.

Action 1.3.3: ESO to clarify the process following the consultation at the end of this phase of the connections reform project.

Action 1.3.4: Strategic policy goals (particularly net zero and energy security) to be elevated and given more prominence within the design objectives.

Action 1.3.5: ESO to add a summary status of relevant code modifications and a summary of tactical initiatives to improve connections to the Steering Group pack

4. **Initial thoughts on strategic options**

Discussion on the extent to which the connections process determines or seeks to influence the deployment of new generation and large demand:

Recognise the future focus for Connections Reform, but what about the current queue and the issues with it? What about network planning in Scotland, for example?

ESO response: One of the areas to be considered under connections reform is speed of implementation and change. As such, we will be considering the extent to which any changes made through reform will apply to existing connections contracts and to the existing connections queue. Any such wholesale change would need to be considered carefully though in terms of whether/how it could be delivered and also needs to take account of what improvements have resulted from the tactical initiatives currently being progressed.

Offshore connections already receive some signals and onshore wind in England and also in Wales requires zoning; so some strong locational signals already exist.

What would the directly specifying option mean in practice to developers? Developers need confidence that capacity is available in a particular area at a defined date. They'd need reassurance that projects would get connected otherwise projects will not be commercially viable.

A market-led approach would effectively just tweak the existing approach. Providing strategic advice or recommendations sounds like a gated process. And directly specified option sounds like ESO decides. Perhaps a hybrid of these is needed, with ESO specifying in some circumstances.

[*From online chat*] Need to consider also is the option (as a concept) commercially viable for developers – can we take it to the bank? Will our investors understand it?

ESO response: This point is on our radar for when we are considering options. So, we are mindful of the positive or negative impact reform could have on investment.

[*From online chat*] The market-led approach feels like do nothing or make only incremental changes.

Note that Ofgem is also going to consult on regional system planning.

The providing strategic advice and recommendations option must align with policy objectives (spatial planning, net zero etc.).

[*From online chat*] The providing strategic advice and recommendations approach is good but would have to be transparent with customers - noting that one of their first objectives is secure land then how close can they be to the Grid. This would need closer regional liaison ESO v DNO.

[*From online chat*]: There is a need to also think about how other processes like EMR markets drive the need for connection contracts to be entered into, understanding interfaces with other markets will be key. This is important, often gets overlooked but is critical.

For demand, the strategic advice and recommendations option should link to industrial clusters where network upgrades are required.

Agree on the need to consider spatial planning. Is the strategic advice and recommendations option a gated process? Republic of Ireland have some experience of this.

> ESO response: Yes, the strategic advice and recommendations option could have a couple of gated stages.

In the directly specify option, this is less developer-led and more of a centralised planning model. Is there a role for an option where there is provision of more network information to help inform deployment decisions?

> ESO response: Yes, the provision of network information is relevant to both the strategic advice and recommendations and also the directly specify options to help developers understand where best to connect. Both of those approaches could be compatible with a move towards a more centralised strategic network plan as required by Ofgem.

Wales is moving towards more centrally planned approach. This needs to be transparent, with dialogue. Both the strategic advice and recommendations and also the directly specify options are the only realistic options as the market-led option alone is not going to deliver net zero.

[*From online chat*] Is the directly specified approach leaning towards auctions?

> ESO response: That could potentially be one means of allocating connections and/or capacity under this broad option.

There might be a need for a number of different approaches, both market-led and directly specified and with specific actions to resolve or deconstruct the current queue.

The strategic advice and recommendations and the directly specify options can help developers engage. It would be worthwhile to map the benefits across each of the approaches and establish who engages and when in each process.

Aware of the interaction with REMA and local approaches. We need to understand the benefits, dependencies and interaction with other policy issues. Supportive of considering all the options and hybrids of the options.

Aware of and understand these considerations. This goes beyond networks, there's links to industrial decarbonisation, ports policy and so on.

It's good to understand the pace of connections and how this changes over time for the existing and future queue. For example, in 5-year blocks (2025-30, 2030-35 etc.)

Aware of some developer concerns on local approaches and seeing some benefit on a centralised approach. But there are different issues to consider for different technologies.

Steering Group can revisit these strategic options at a future meeting once there is greater clarity on the overall potential packages of change.

Discussion on how transmission capacity is allocated. It was noted that the current connection contract secures both location and capacity. This could continue, or other options include moving the securing of capacity to a first-ready, first served approach once projects have secured a connection contract or introducing capacity auctions to determine which projects receive a connection contract.

There are concerns on a link to the Capacity Market approach. Separate connections to capacity would be a very big issue in trying to achieve investor confidence in projects.

Would this split in to two aspects? Physical connection and then capacity and technology?

Can see benefit in first-ready, first served approach. But projects cannot get investment without confirmed capacity.

Distribution are discussing the first-ready, first-served option and are aware of issues created by queue blockers. Stage gates could help with queue management.

Agree that it is essential to address people gaming the queue; those spurious applications with no investment, no landowner agreement and so on.

Where competing projects are ranked there is a risk that all projects lose their investment. First-ready, first-served is better.

Action 1.4.1: The relationship between connections at Transmission and Distribution level will be discussed next time.

5. Next meeting

Concluding discussion:

Made a good start and pleased that there has been an open expression of different views.

Share concern of not wanting to undermine the investment market.

Recognise that some levers are more intrusive than others.

Next meeting, ESO will share outcomes from the first design sprint and provide further details of the gated approach option as part of that discussion.

Draft agenda:

[check for new members and substitutes]

Actions and minutes from last time

To agree updated Terms of Reference

To discuss connections at Transmission and Distribution levels

To share progress from design sprint 3a including:

To share further thoughts on the concept of a gated process

To clarify further details of ESOs process for evaluation of options

To clarify the process following receipt of consultation responses

6. Any Other Business

Suggestion that the Steering Group could move from two to three hours. No clear consensus reached on this, so agreed that this would be kept under consideration depending on experience at future meetings.

Request that ESO provide a summary of the status of relevant code modifications and tactical initiatives
Addressed by **Action 1.3.5:** ESO to include within Steering Group pack.

Decision Log

Decisions: Made since last meeting

ID	Description	Owner	Date
1.01	Agreed to apply Chatham House rules – All participants not to attribute comments to individuals or their affiliations	ALL	16/02/2023
1.02	Steering Group agendas and minutes will be published. Minutes to be published following confirmation at the next meeting that they are a fair record. Additional documentation may be published (e.g., slide packs/papers taken to the Steering Group), but subject to confirmation by the Steering Group.	Mike Robey	02/03/2023

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Decisions: Previously made

ID	Description	Owner	Date
ID	For future use	tbc	tbc

Action Item Log

Action items: In progress and completed since last meeting

ID	Description	Owner	Due	Status	Date
1.2.1	ESO to update and circulate the Terms of Reference, updating the narrative on purpose and membership details (members, Welsh Government, Scottish Government, DNO representative(s)).	James Norman	23/02/2023	On agenda 02 March	23/02/2023
1.2.2	To seek Steering Group agreement of updated Terms of Reference at meeting 2.	ALL	02/03/2023	On agenda 02 March	tbc
1.3.1	ESO to share details of who is contributing to the design sprint workshops, including which Steering Group members are participating.	Mike Oxenham	23/02/2023	Status	23/02/2023
1.3.2	ESO to clarify how its evaluation of options within each design sprint will work at meeting 2.	Mike Oxenham	02/03/2023	On agenda 02 March	tbc
1.3.3	ESO to clarify the process following the consultation at the end of this phase of the connections reform project.	James Norman	16/03/2023	Propose to cover 16 March	tbc
1.3.4	Strategic policy goals (particularly net zero and energy security) to be elevated and given more prominence within the design objectives	James Norman	02/03/2023	Status	tbc
1.3.5	ESO to add a summary status of relevant code modifications and a summary of tactical initiatives to improve connections to the Steering Group pack	Laura Henry / Ruth Matthews	23/02/2023	Status	23/02/2023
1.4.1	Relationship between connections at transmission and distribution levels not discussed in meeting 1 and agreed to discuss at meeting 2	James Norman	02/03/2023	Status	tbc

Action items: Previously completed

ID	Description	Owner	Due	Status	Date
ID	For future use	tbc	tbc	tbc	tbc