ESO

Meeting 4 minutes

Connections Reform Steering Group

Date: 30/03/2023   Location: MS Teams

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Merlin Hyman, Regen, CHAIR	Attend	Claire Jones, Scottish Government	Attend
Neil Bennett, SSEN Transmission	Attend	Deborah, MacPherson, ScottishPower Renewables	Attend
Sally Boyd, PeakGen	Attend	Andy Manning, Citizens Advice	Regrets
David Boyer, ENA	Attend	Susana Neves e Brooks, ESO	Attend
Catherine Cleary, Roadnight Taylor	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
Sotiris Georgiopoulos, UKPN	Regrets	Patrick Smart, RES Group	Attend
Arjan Geveke, EIUG	Regrets	Spencer Thompson, INA	Regrets
Ben Godfrey, National Grid Electricity Distribution	Regrets	John Twomey, National Grid Electricity Transmission	Attend
Garth Graham, SSE Generation	Regrets	Matthew White, UK Power Networks	Attend
Gemma Grimes, Solar Energy UK	Attend	Charles Wood, Energy UK	Attend
Paul Hawker, Department of Energy Security and Net Zero	Attend	Caroline Bragg, ADE (substitute for CF)	Attend
Gareth Hislop, Scottish Power Transmission	Attend	Charles Deacon, Eclipse Power for INA (substitute for ST)	Attend

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Agenda

#	Topics to be discussed	
1.	Welcome	Merlin Hyman (5 minutes)
2.	Actions and Minutes from Meeting 3	Mike Robey (15 minutes)
3.	Update on tactical connections activity	James Norman (20 minutes)
4.	Design Sprint 2 report and discussion	Mike Oxenham (60 minutes)
5.	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

The Chair welcomed Steering Group members, particularly those joining for the first time or attending as substitutes for colleagues.

Today's publication by HM Government of _Powering Up Britain - Energy Security Plan_ was noted which includes reference to "*publishing an action plan in the summer to accelerate electricity network connections, including reform of the connections process.*" It is understood that this will draw upon the delivery of this Connections Reform project and other relevant stakeholder initiatives including the ENA's Strategic Connections Group and Ofgem's current work. Further details remain to be clarified of activities and any additional industry engagement prior to publication of the quoted action plan.

2.   Actions and Minutes from Meeting 3

ESO noted that the Minutes of Meeting 2 have been published.

Additional Steering Group member biographies and photos have been received, with two remaining.

Transmission and Distribution connections – ESO confirmed that this topic will be revisited at the next meeting (27 April). Steering Group members continue to be invited to submit further thoughts to ESO by email before the next meeting. ESO and ENA confirmed that there will be further discussion between ESO and DNOs on this topic before the next Steering Group discussion.

A Steering Group member noted that Transmission and Distribution consideration should reflect both Distribution connections' impacts on Transmission and the impact of Transmission connections on Distribution.

Decision: 4.2 To publish the minutes of Meeting 3.

Action: 4.2.1 To discuss connections across the Transmission and Distribution interface at the 27 April Steering Group meeting.

3.   **Update on tactical connections activity**

Two-step offer policy went live 01 March with a webinar held today.

Expression of Interest (EoI) launched 24 March seeking industry views by 30 April on both:
- Bringing forward connection dates; and
- Non-firm (restricted access) connection offers, particularly for storage projects.

Steering Group comments:
- Does the non-firm EoI only apply to BEGA and BELLA sites?
    - ESO response: No, following stakeholder feedback the EoI covers all connection projects.
- If a customer accepts a non-firm connection, would this mean that they are able to connect straight away, or are there other limitations?
    - ESO response: The EoI will try and establish this. The EoI also seeks to understand other considerations (e.g., is there also demand behind the constraint).
- Is this being shared with the ENA's Strategic Connections Group (SCG)? And will ESO and SCG co-ordinate messaging to ensure that they are aligned?
    - ESO response: Yes, we will whilst protecting any individual customer confidential information. ESO is discussing opportunities for alignment with ENA.
- A Steering Group member expressed that the EoI will help establish the volumes of applications interested, whilst the ENA SCG and other initiatives will determine the actions.
- Will there be more communication about the EoI?
    - ESO response: Yes, further communications are being planned by both ESO and also via DNOs.
- A Steering Group member anticipated a high level of response from customers.
- A Steering Group member recommended looking further at the level of curtailment. Not just the percentage of the year where curtailment is anticipated, but also which season, time of day, etc. They also noted that ESO should expect customer queries on this aspect.

TEC (Transmission Entry Capacity) Amnesty
The TEC Amnesty closes at the end of April. The deadline will not be extended. Terminations arising from the Amnesty will need agreement with Ofgem. Approximately 5.5GW of connection capacity has been submitted to the Amnesty and more is anticipated in the run up to the deadline for the close of the Amnesty. Could a similar approach be applied to Distribution connections?
- A Steering Group member shared that something similar had been tried at Distribution level, but that it had not worked.

Storage modelling policy
ESO intends to share proposals with industry in April.

Queue management (CMP376)
ESO noted that the outcome of the queue management consultation will go to the CUSC panel in May and then on to Ofgem on 07 June for a decision. Ofgem is aware of the importance and engagement on this topic and will give due attention to the proposals.

[Post-meeting note: ESO published a Customer Connections e-newsletter, 31 March, providing updates on ESO's five-point plan for connections]

4. **Design Sprint 2 paper and discussion**

Discussion on the draft indicative options for a reformed connection process

ESO shared indicative options including: an improved status quo; a gated process; application windows; gated process with a late window and a gated process with an early window. ESO noted that these options will evolve as the design sprints continue. For example, there are various options around the requirements at gates and where in the process these are best positioned, the nature of application windows and so on.

Steering Group comments:

- Please can ESO consider in the assessment of the options, where and when there is certainty on the point of connection; this is a key milestone.
- Consider the timeline; how long the process takes and key milestones during the process such as on the capacity, location of the connection and the connection date.
    - ESO response: Yes, agree that confirmation of the connection location is key. How long the process takes is more difficult at this early stage. The adoption of windows needs to consider where in the process that the detailed studies are done. To explore this with TOs. Some of the options will reduce the number of studies undertaken by positioning them later in the process. More detailed process mapping of the options will be carried out in future.
- Consider the type of applicant as this will affect their view on the indicative models.
- Does ESO envisage only one model, or could multiple models exist for use in different situations?
    - ESO response: We'll start with one model, but variance will need to be considered, for example for connections across the T&D interface, for offshore connections, interconnectors and so on.
    - A member commented that different models for different types of connections do need to be considered. Their view was that a gated process with an early window approach risks stifling investment as the process starts by presenting the worst case for connection date.
    - ESO response: This concern has been identified. An option might be to provide both the worst case for a connection date and also an indication of what the advancement potential is (to bring forward the connection date if key milestones are met).
    - A Steering Group member thought this advancement potential could be hugely useful to help projects get through their own financial stage gates.
    - ESO noted that having more process options adds complexity which will bring challenges.
- Is there any view on what impact the reformed process will have on actual connection date yet? Some process options may improve the efficiency of the process, but not actually speed up the connection date.
    - ESO response: This concern has been raised. The indicative process models will be edited to address this concern. Also note that none of the options propose a requirement to have secured planning permission before an application is submitted due to the risk of delays this would bring to developers.
    - ESO will bring refined versions of these process options to the Steering Group in four weeks' time. The impact of the current tactical initiative to improve connections will be monitored before this project considers making recommendations for more changes to enabling works.
- It was noted that Contracts for Difference (CfD) requires milestones/stage-gates. Some interactivity to consider as well as strategic considerations around T&D.
    - ESO response: Noted and T&D Interface will be discussed at scheduled meetings between ESO and DNOs in April.

Action 4.4.1: ESO will bring refined versions of the high-level end to end process options to the Steering Group in four weeks' time.

Views on the potential introduction of a Letter of Authority (LoA) as a prerequisite for the submission of an onshore connection application in addition to the existing application form and fee.

Steering Group comments:

- Steering Group members strongly supported the proposed introduction of a Letter of Authority.
- Steering Group members expressed a number of considerations to make the LoA effective including allowing some flexibility on the land area (e.g., allowing 25% flexibility); the need for an efficient front-end process and fee and to keep the LoA criteria quite light at this early stage of the process.
- A member cautioned that there could be an issue about fees between developers and landowners if the site turns out to be unsuitable.
- It was noted that a different approach would be required for offshore and interconnectors.
    - ESO response: Agree that a different approach would be needed. An offshore lease comes later, so the first requirement could perhaps be evidence that an offshore leasing round is scheduled for that seabed area.
- Quality information is needed up front to inform applicants.
- [From online chat: LoA is likely to be effective in making sure ESO time is spent productively.]
- A member cautioned that an LoA in isolation is quite weak, so it cannot be expected to solve a lot of the connections challenge.
- A Steering Group member challenged, that given the strong support for an LoA, could ESO move to implement this now?
    - ESO response: This was discussed last year. At the time it was not considered viable from a regulatory perspective, but the circumstances could have changed now.

And whether there is anything else that should be a new requirement for the submission of a connection application.

- Should having the money secured for the project be a prerequisite?
- Queue management is needed and adopting this would be a good step forward. Could also look at application fees.
- [From online chat: ESO commented on application fees, noting that it was working on automation on the back of the Portal Platform to try and improve this as soon as possible as it was also a RIIO T2 deliverable under process improvement.]

Views on project acceleration both within the application process with some applicants receiving offers quicker than other applicants, and in respect of connection, with some applicants being provided with earlier connection dates than others. And would views be different if the acceleration of the connection date for one project could have a detrimental impact on another?

Steering Group comments:

- Will advancement in the queue have an impact on wider works? Might advancement push another connection down the list and behind a requirement for contracted works and securities?
    - ESO response: Yes, in theory it could change contracted works and securities.
    - This could have a massive impact on someone else's project; severely affecting the investment case.
    - Problematic if queue advancement is to the detriment of other projects (as opposed to advancing when a space is created by a project leaving the queue). Unless there is dynamic queue management within tight boundaries. And it is also important to ensure that the back-stop connection date is not impacted.
- One member recognised the concerns of other Steering Group members but noted that this approach happens in spatial planning already. It is important that the approach reflects the aspirations of places and communities. Needs to also be a democratic approach, not just commercial; projects must contribute to places.
- Acceleration is only worth the effort if it is substantial acceleration. It might just mean less delayed.

- Important to ensure that this approach only delivers advancement and is no worse than the back-stop connection date.
    - ESO response: It would be an option to retain the principle that projects' connection dates are not delayed beyond the back-stop date, although this would also limit the opportunities to accelerate up the queue.
- A two-track approach is difficult, but this already exists with distribution connections.
- Acceleration should not just be about a project's readiness, but also about its alignment to national and local government policy objectives.
- [From online chat: It feels very difficult to accelerate anyone today which detrimentally impacts anyone else already contracted. A signed contract exists and therefore the network owners would either be stepping away from the contract or inserting a clause that provides the right to do this (probably not bankable?).]
    - ESO response: Agree that it is important to be clear and transparent on the rules with any advancement opportunity.
    - [From online chat: A member noted that if a developer is detrimentally affected by someone else being accelerated could completely change the business model of the project, when a developer has spent lots of money developing the project. I'd be nervous about this idea. Other members shared this concern.]
- [From online chat: A member noted that there is tension in how wider government decarbonisation objectives are supported with projects that support regional growth / jobs / investment elsewhere (i.e., gigafactories). Where there are projects that are important for GB plc for other reasons, I could see a benefit on certain projects having different status (but importantly this is understood and transparent for everyone).]
- [From online chat: The difficulty this also raises is where there is potential for competing connecting interests, it means that those parties that best have access into the detail and implications of the issues the ESO and TO are facing would be unduly advantaged. This could easily lead to accusations of discriminatory / preferential treatment by those that are disadvantaged away from their contracted position.]
- [From online chat: Projects must be robustly based and progressing, rather than 'pet projects'.]

Views on the potential introduction of a capacity holding charge e.g. on a £/MW basis for the contracted capacity for some or all of the time between connection contract acceptance and connection and the potential introduction of use-it-or-lose-it arrangements in relation to capacity held by connected projects which has not been used for a reasonable period of time.

Steering Group comments:

- Not a huge fan of a capacity holding charge. It could be structured to be less of an immediate threat and instead a mechanism for the DNO, TO, ESO to recover capacity if projects were not progressing in a timely manner.
- It is key to define the level this charge would be and what happens to the charged. Might projects get the money back once connected?
    - ESO response: Remains TBC but the income from the fees could be socialised back to industry through TNUoS or alternatively (and less likely) a fund could be established from the charges that uses the funds to compensate projects that become delayed.
- Use-it-or-lose-it sounds good in principle. It would need clear definition. Several other members supported use-it-or-lose-it (in discussion and in online chat).
- The charge may come too early in the process and create situations where applicants have no ability to make use of that stage in the process. Need to strike the balance of the right value and applying it to the right aspects of an application. Agree the overall principle of use-it-or-lose-it.
- Welcome the wide range of options. What can be learnt from oil and gas licensing and the fees during that process?
- What about sites that have capacity but only use their full capacity occasionally, such as peaking engines.
    - ESO response: Modelling in Construction Planning Assumptions (CPA) will consider this. The Intention of the Use-it-or-Lose-it policy would not be to remove capacity from projects

that are contracted via the Balancing Mechanism to provide capacity intermittently (e.g., at times of system stress) as this would be counterproductive.

- [From online chat: With so little support in the sprint session for the holding charge, I am surprised it is being considered.]

- [From online chat: Securities in Scotland (and increasingly in England and Wales) can be very high. These are already causing cashflow issues for smaller projects. It's an effective deepening of the connection boundary - if it is to be charged it should be against tangible deliverables / works.]

- [From online chat: A capacity holding charge might discriminate against the developers if it is a substantial amount.]

- [From online chat: It would be worth looking at the offshore wind sector and The Crown Estate lease structure - feels like they have a similar structure to this payment charge point, provides commitment but may lead to other issues. However, the thinking and ideas are great.]

- This could be really helpful, but it could damage some projects and impact smaller projects.
    - o ESO response: Thank you for the helpful feedback. There is interplay with securities. Cost would need to be reflective if this was going to work. The feedback on the use-it-or-lose-it concept sounds positive, noting the importance of calibrating the mechanism properly to allow flexibility and avoid unintended consequences.

Views on better defining and formalising the concepts of Non-Firm Access and / or Transmission Import Capacity (TIC)?

- Non-Firm is accepted on Distribution, so it could be done on Transmission. Important to clearly define the product and educate the industry on the offer. Expect interest in Non-Firm to be lower on Transmission connections than Distribution connections.

- Non-Firm can be used to mean different things, so it needs to be clearly defined. It is hard to clarify constraint values as there are many variables and there could be several Non-Firm products (including Time of Use).

- There needs to be robust data available (for example awareness of Scottish inter trips).

- Non-Firm has had a big impact on distribution, where it has been applied, with a high level of customer response. Considered to be very successful in how curtailment is offered. Particularly for generation as opposed to demand.

- Codifying the TIC sounds good.

- [From online chat: Work was done to define these terms under open networks due to the issues with different definition of terms being applied at transmission versus distribution so would be worth revisiting this work.]

- [From online chat: A member offered to connect ESO to a team involved in fossil fuel licensing regime where a range of different access products are available.]

- [From online chat: A member supported the focus on formalising concepts of Non-Firm and TIC.]

- [From online chat: Support better definition and perhaps better data around non-firm restrictions - majority of the offers that this member had seen in the past year have been enduring restrictions on availability. Lots of users not clear about the impact on their projects.]

- [From online chat: It all goes towards Ofgem's aims to utilise flexibility before reinforcement - most efficient use of existing assets. Self-derogation from things like P2 etc. could help with allowing more flexible import.]

- [From online chat: TIC issue only seems important if import is driving significant works (but this may not be the case once revised CBA assessment is complete?) so maybe wait before making life more complex? It is true though that at the moment developers can request import capacity with effectively no cancellation charge risk if scheme reverts to generation only and that is probably unfair.]

Closing remarks:

- Steering Group members thanked ESO for the paper and questions to prompt discussion. A member also noted their appreciation at how well run the design sprint workshops were.
    - o ESO thanked Steering Group members for the invigorating discussion.

5. Any Other Business

- ESO was asked whether it could start moving towards its draft 'minded to' or equivalent recommendations that could appear in the June consultation at future Steering Group meetings.
  - ○ ESO confirmed that this would be the focus of the May Steering Group meeting.

Next meeting, 27 April:
- Design sprint 3b report
- Connections across the Transmission and Distribution interface

Decisions and Actions

Decisions: Made at last meeting

ID	Description	Owner	Date
4.2	To publish the minutes of Meeting 3	Mike Robey	30/03/2023

Action items: In progress and completed since last meeting

ID	Description	Owner	Due	Status	Date
4.2.1	To discuss connections across the Transmission and Distribution interface at the 27 April Steering Group meeting.	James Norman	27/04/2023	T&D on agenda for 27 April	
4.4.1	ESO will bring refined versions of the process options to the Steering Group in four weeks' time.	Mike Oxenham	27/04/2023	To be shared at 27 April meeting	
3.4.1	ESO to reconsider RAG rating for high-level options and provide more information on scoring in any future version	James Norman	30/03/2023	T&D on agenda for 27 April	27/04/2023
3.6.1	Steering Group members can respond to circulated slides with comments via email before the next meeting.	All	30/03/2023	Open invitation for Steering Group members.	ongoing
2.5.1	ESO to track progress with REMA, FSO and other strategic policies and to consider how the evolution of these affects consideration of the centralised planning process design option	James Norman	Ongoing	To keep under review	
0.1	Steering Group members to provide photograph and biography for Steering Group web page	All	09/03/2023	Two remaining	

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Decision Log

ID	Description	Owner	Date
1.01	Agreed to apply Chatham House rule – 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
2.3.1	Approved the Terms of Reference v1.2 subject to the inclusion of the edits identified in Meeting 2 (creating v1.3)	Merlin Hyman	02/03/2023
2.5.1	General agreement with the position to not continue to develop Option C as a stand-alone option within the remaining sprints, but to consider whether elements of option C could be incorporated into options A and B.	Merlin Hyman	02/03/2023
2.5.2	Add-on 1 should not be a focus for Connections Reform	Merlin Hyman	02/03/2023
2.5.3	Add-on 3: Stakeholders identified some concerns to be further considered but there was a general overall view that this add-on is worthy of further consideration in later design sprints	James Norman	02/03/2023
2.5.4	Proposed that Add-on 4 is not given focus in later design sprints, although REMA developments will be monitored.	James Norman	02/03/2023
3.2	To publish the minutes of Meeting 2	Mike Robey	16/03/2023
3.2.1	To approve the Terms of Reference v1.3	Merlin Hyman	16/03/2023

Action Item Log

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	Complete	23/02/2023
1.2.2	To seek Steering Group agreement of updated Terms of Reference at meeting 2.	James Norman	02/03/2023	Agreed	02/02/2023
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	Complete	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	Complete	02/03/2023
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	Complete	17/03/2023
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	Adopted	02/03/2023
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	Ruth Matthews & Laura Henry	23/02/2023	Complete	23/03/2023

1.4.1	Relationship between connections at Transmission and Distribution levels to be discussed at meeting 2	James Norman	02/02/2023	Complete	16/03/2023
2.2.1	ENA to share updates from its Strategic Connections Group within subsequent Steering Group packs	David Boyer	16/02/2023	Included for 16/03 and ongoing	16/03/2023
2.3.1	ESO to update and circulate the agreed Terms of Reference (v1.3)	James Norman	09/02/2023	Circulated	16/03/2023
2.6.1	ESO to share project timeline	Mike Robey	09/02/2023	Circulated	10/03/2023
3.4.2	ESO to return to Steering Group with further views on the T&D interface at a later meeting	James Norman	30/03/2023	Added to 27 April agenda	27/04/2023