

ESO Connections Agora

22nd November 2023



Introduction

The Customer Connection Agora Sessions are aiming to:

- ✓ Provide an opportunity to learn about a variety of subjects such as Connection Processes, Codes and Policy Changes, Network Operability, Operational Compliance, Security and Liabilities, Cancellation Charges and more;
- ✓ Increase the visibility of the Electricity Connections Team to our customers, stakeholders and the wider electricity market;
- ✓ Facilitate updates on our key workstreams and initiatives, as well as enable engagement and interaction via the Questions and Answers segment.

Agora presented by

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Agenda

- 5 Point Plan
- QM Implementation
- Questions and Answers

Please ask all questions Q&A function.
We aim to get through as many
questions as possible.

5 Point Plan

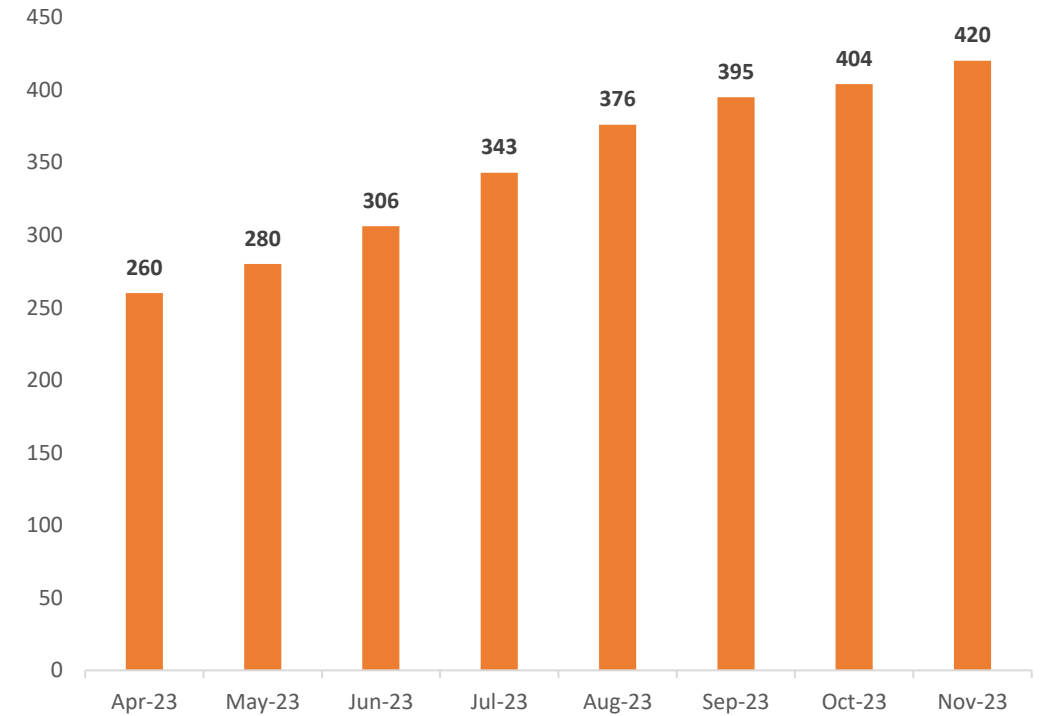
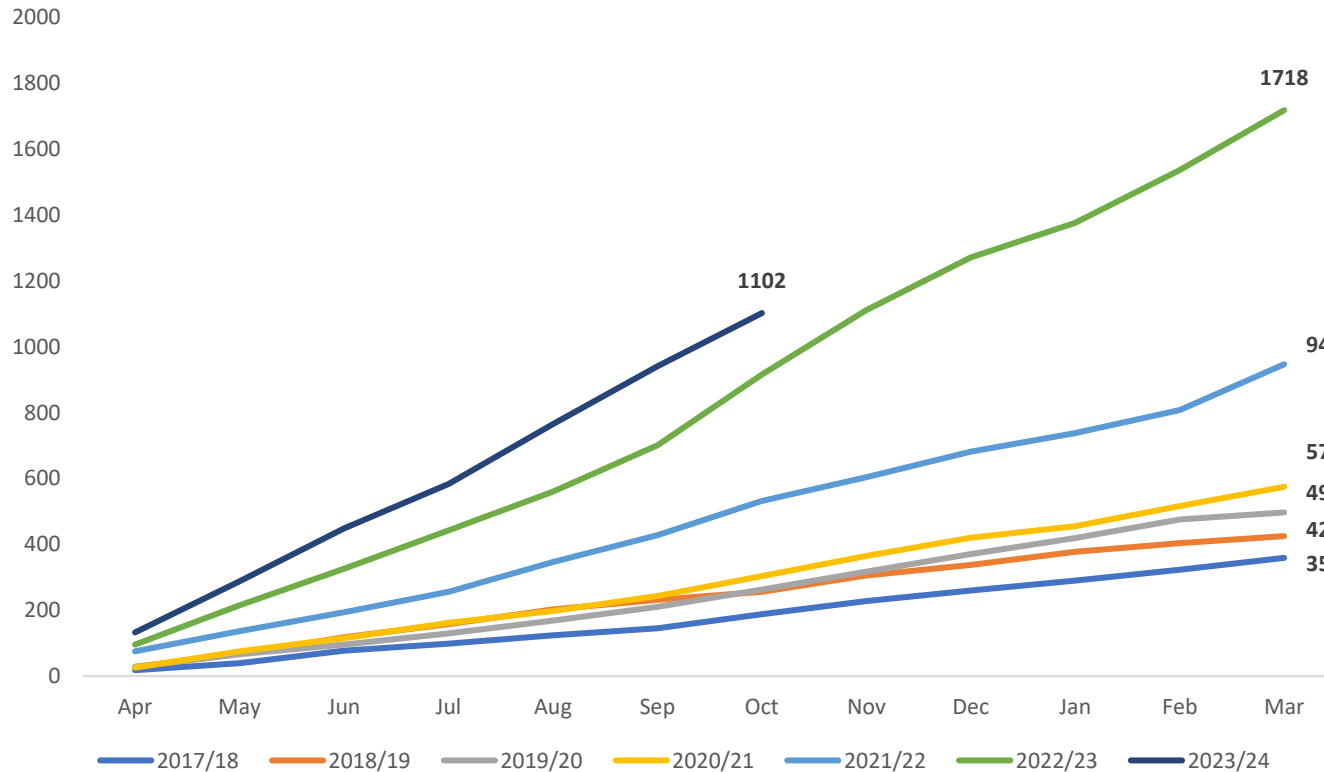


Connection Applications

The number of licenced connection applications has increased over the last 5 years, with a marked increase over the last 2 years. This increase is driven mainly by new Offshore Wind and Battery Energy Storage applications.

The increase in applications has in turn increased the contracted background and connection queue to **420GW**, which is an increase of **160GW** in the last 8 months (transmission only).

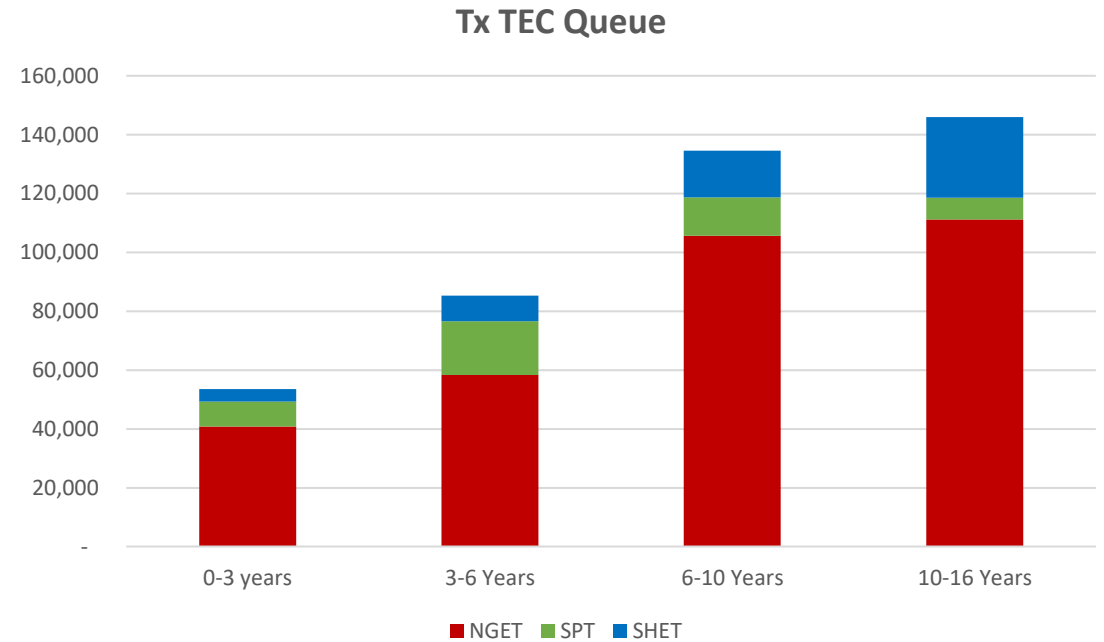
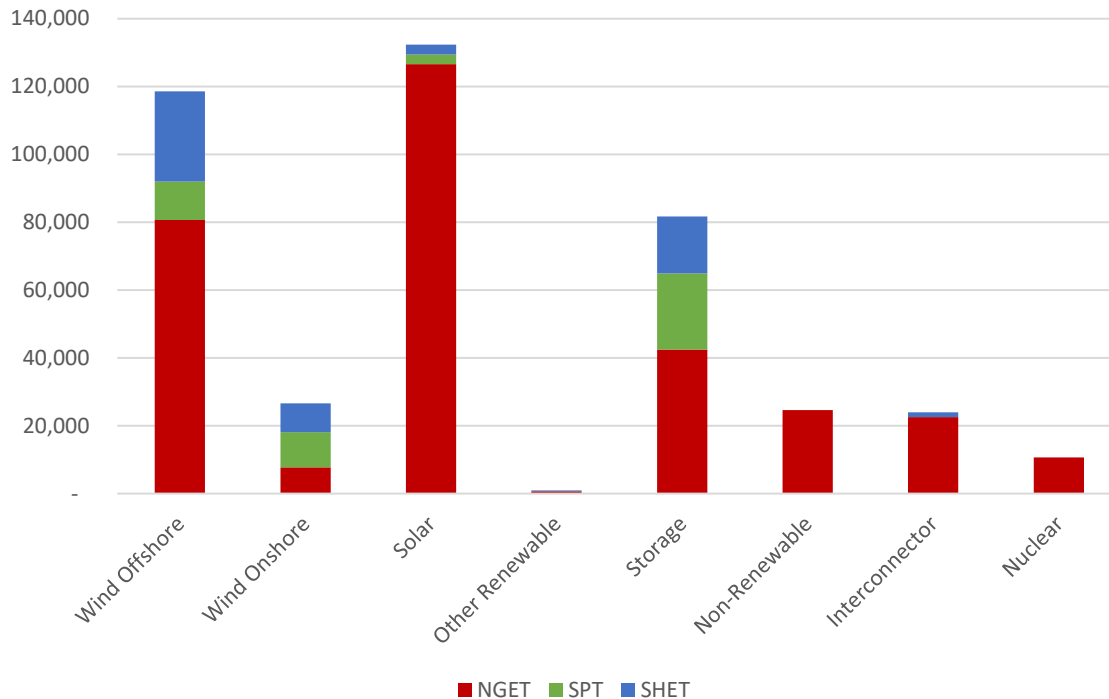
Licensed Applications Received



Connections Queue

The contracted background is still growing, with more applications offsetting a falling acceptance rate.

Circa **420GW** of generation projects are currently seeking to connect to the electricity transmission system, yet our data shows that up to **70%** of those projects may never be built. There is **142GW** currently in the distribution queue.



Our 5 Point Plan

Our 5-Point Plan is a set of Tactical Initiatives ahead of the wider connections reform

1. ~~TEC Amnesty~~

2. Construction Planning Assumptions Review

3. Treatment of Storage

4. Queue Management

5. Non-firm Offer Development



CPA Review and Treatment of Storage

Construction Planning Assumptions Review (CPA)

We are changing the assumptions that most projects in the queue will connect to reflect a 30-40% connection rate

Treatment of Storage (BESS)

We are revising the way storage connections are modelled using insight resulting of a better understanding of its behavior. These changes will allow storage to connect quicker and support unlocking more capacity to connect others.

Transmission Works Review (TWR)

Together the above changes are being reflected in the Transmission works review where we hope to improve connection dates and reduce works.

In England and Wales the two step offer process has been introduced to allow the TWR to be completed alongside the usual connections process

The existing connections process is still in operation in Scotland.



Two Step Offer - Update

- Two Step offers started on the 1st March 2023 for England and Wales only
- NGET and ESO will be working on updating all Step One offers to Step Two offers from 1st December 23, targeting to meet 29th February 2024 for all offers to be with customers
- Any offers that clock start from the 27th November 2023 will be given a full offer in line with the parameters set out within the below table

| 5PP Initiatives | New Application | 2nd Step offer (New or Mod) |
|---|--|---|
| Queue Management Clauses | Will be included as standard | Customer choice if included in 2 nd Step offer or need a further Mod app in < 6 months |
| Updated CPA (attrition rates) | Included | Included |
| Updated Storage behaviour in CPA | Included (Where applicable) | Included (where applicable) |
| Interim Non Firm (BESS) | Included if requested as part of application | |

Queue Management

- There is currently no mechanism in the CUSC to terminate projects that are not progressing.
- CMP 376 is the CUSC Mod which would give the ESO powers to terminate agreements that are not progressing
- Final work group report was submitted to Ofgem on the 7th June
- Currently developing a substantial guidance document and working with TO's on implementation
- CMP 376 was approved on the 13th November



Non-firm Offer Development

Context

We published an [update](#) in June. It allows storage to connect once non essential enabling works are completed on a non-firm (customer choice) basis.

What has happened since then

We have been working with the TOs and the DNOs (through the ENA's Strategic Connections Group) to develop the detail that underpins the policy. In addition we have analysed our [EOI](#) to understand the appetite for an accelerated non firm connection date for storage.

Update

We will imminently launch tranche 1 for E&W . This will be for ~20 customers (~10GW) and will include QM milestones

Tranche 2 (E & W) to be worked up in the next few months.

Dates to roll out the initiative for Scottish storage sites are still under discussion

Distribution connected sites are being progressed together with ENA Strategic Connections Group

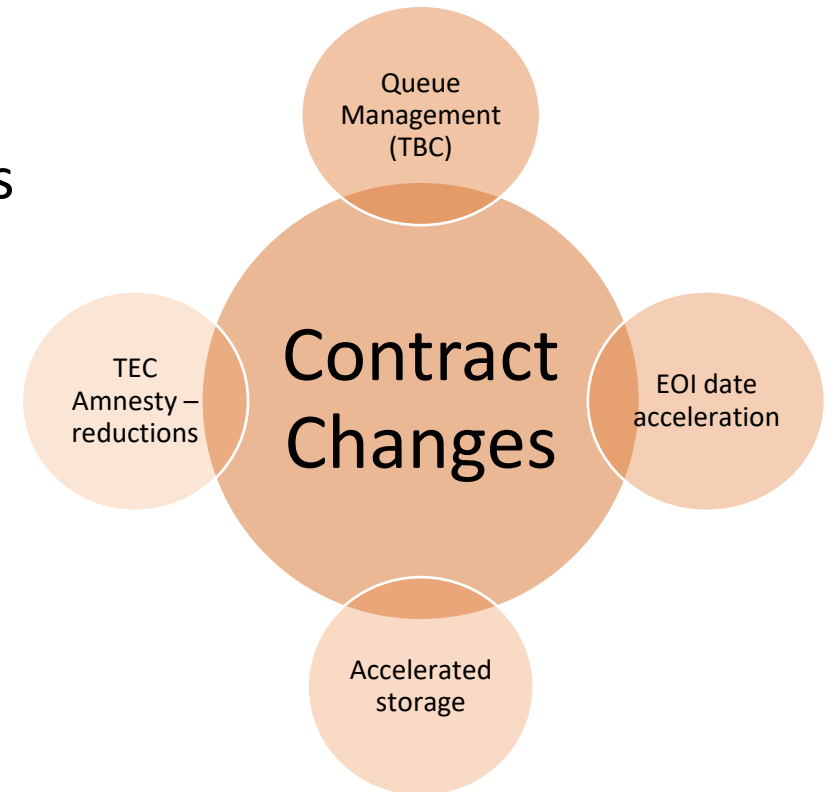


Contract updates for the Five Point Plan


- We are expecting at least **250** contract changes as a result of the Five Point Plan across all of the TO's

ESO approach to contract change

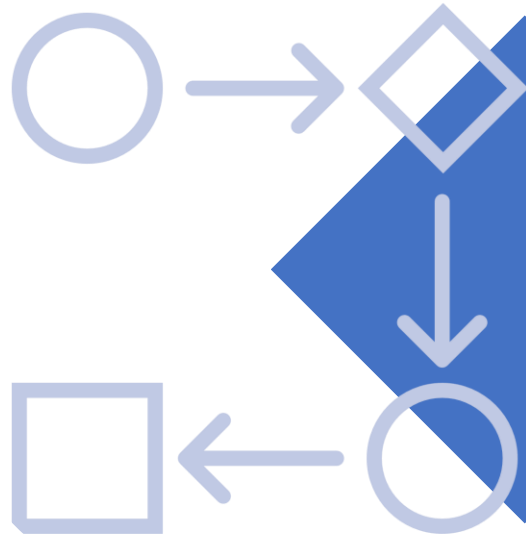
- Treat as a Modification Application to existing Agreements for any EOI's
 - BCA / BEGA / BELLA
- Include as many of the contract changes as needed into one contract amendment
- Most efficient and effective route for all parties involved in the process as condenses contract changes into one update.



Application of QM Milestones



What is Queue Management?



- A standard set of Milestones and dates as set out in the new App Q
- Provides a process for evidencing progress against Milestones/dates
- Right to terminate (subject to exceptional issues) if the Milestone dates are not met.

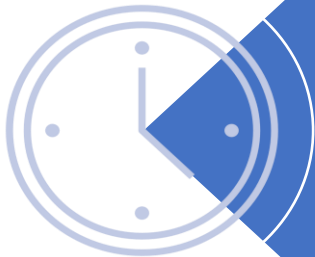
When does it apply from and who does it apply too?



All Offers due out from the 27 November 2023



Applies to all directly connected customer including directly connected demand (it does not apply to BEGA's/BELLA's and Embedded Customers)



Has to be fully implemented within two years of Ofgem decision date – 27 November 2023

QM Legal Terms - overview

- New CUSC **section 16** sets out the detail and terms of the Queue Management Process (e.g. lists the Milestones, how dates are calculated, the exceptions and termination process and implementation)
- **Associated definitions in CUSC section 11** (Queue Management Process, User Progression Milestones, Conditional Progression Milestone, Construction Progression Milestone etc)
- New Clause and definition (by ref to the specific project Appendix Q) of “**User Progression Milestones**” added to Onshore and Offshore Connection Construction Agreement (subject to exception for directly connected Demand associated with Embedded Electricity Generation or Demand) N.B in Offshore Agreements Queue Management Milestones doesn't apply to the Offshore Transmission works
- New Appendix (Q) added to Construction Agreement (with update to contents page) which sets out (in a table) the Milestones as per CUSC Section 16 with the Milestone date for that project.

Appendix Q Template

APPENDIX [Q] **QUEUE MANAGEMENT PROCESS – USER PROGRESSION MILESTONES**

The table below specifies the dates (derived in accordance with **CUSC** Section 16) for the **User Progression Milestones** in respect of the **User's** project and the application of the **Queue Management Process**.

Conditional Progression Milestones

| Milestone | Date due |
|---------------------------------------|-----------------|
| M1 – Initiate Planning Consent | |
| M2 – Secure Consent | |
| M3 – Land Rights | |

Construction Progression Milestones

| Milestone | Date due |
|---|-----------------|
| M5 – Contestable Design Works Submission | |
| M6 – Agree Construction Plan | |
| M7 – Project Commitment | |
| M8 – Initiate Construction | |

There will be more than 1 App Q where there is 2 tech types or a staged offer, wherever there are 2 completion date/different tech type that will be the trigger for the App Q

What is the difference between App Q and App J

In the Construction Agreement there are two appendices for programme related activities, **Appendix J** (Construction Programme) and **Appendix Q** (Queue Management Milestones).

Appendix Q will include User Progression Milestones as set out in CUSC Section 16 and are separated into **Conditional Progression Milestones** and **Construction Progression Milestones** which have different termination rights:

| | |
|---|---|
| Milestone 1 - Initiated Statutory Consents and Planning Permission | Milestone 5 - Contestable Design Works Submission – if the User chooses to go down this route. Otherwise, it will be marked as N/A |
| Milestone 2 - Secured Statutory Consents and Planning Permission | Milestone 6 - Agree Construction Plan |
| Milestone 3 - Secure Land Rights | Milestone 7 - Project Commitment |
| Milestone 4 - N/A | Milestone 8 - Initiate Construction |

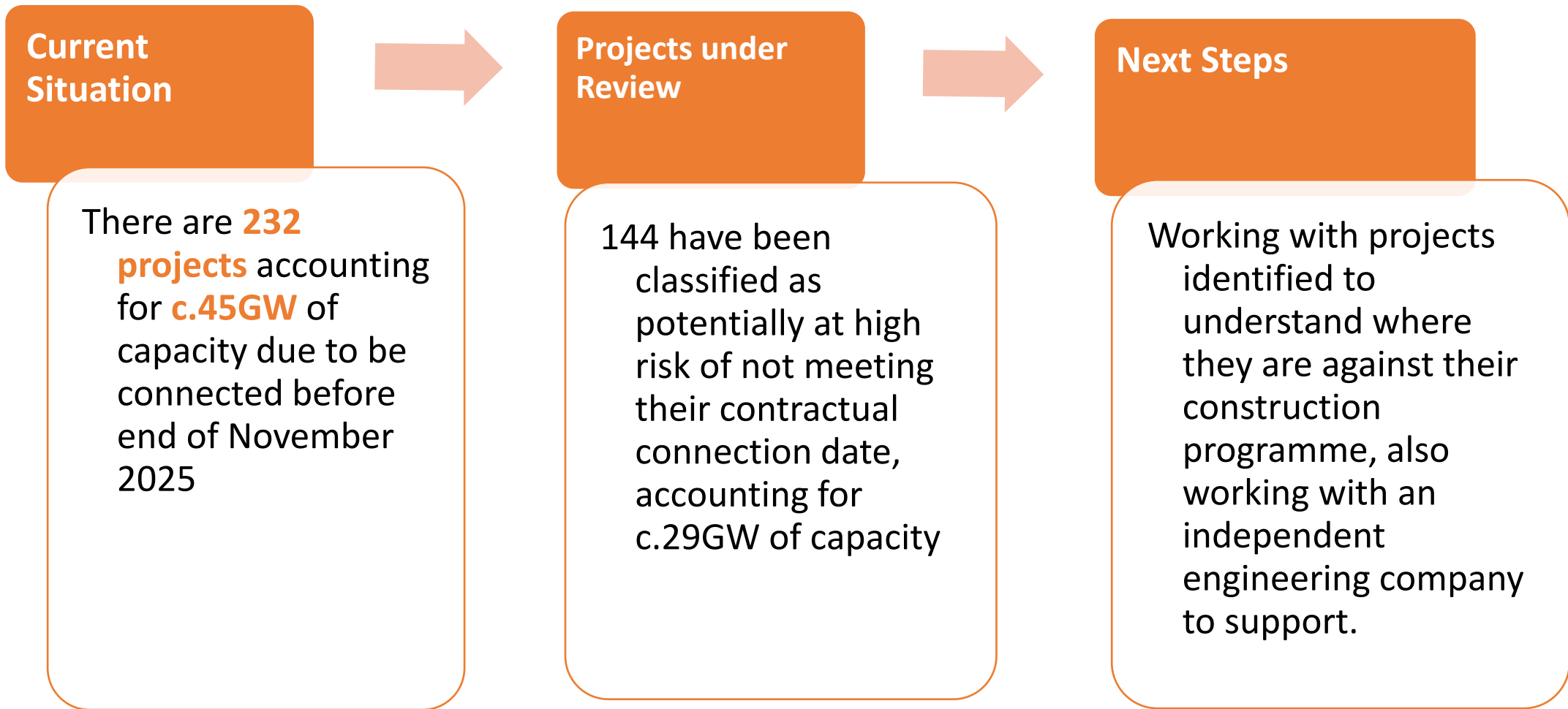
Appendix J Construction Programme - covers programme related activities in the Construction Agreement, which sets the User Progression Milestones by reference to the original programme in Appendix J - by setting the agreed programme of works to be carried out which can change by Agreement between the ESO and Relevant Transmission Licensee and the User.

Workgroup Alternative CUSC Modification (WACM) 7

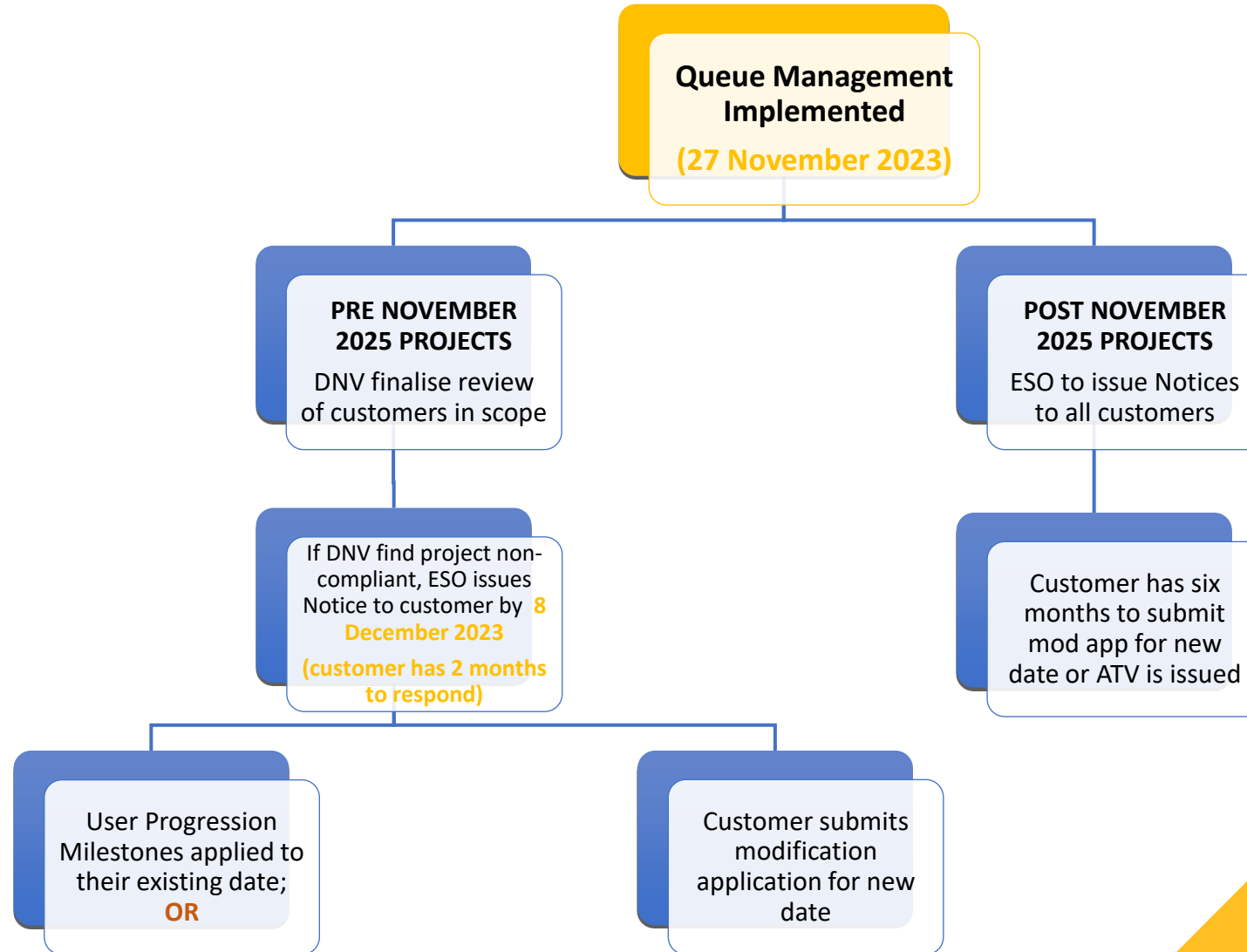
Customers with a contracted Completion Date of 2 years or more from CMP376 Implementation Date to be offered two options:

| Option 1- Submit a Modification Application | Option 2- Keep existing date and have QM Milestones applied |
|--|---|
| <ul style="list-style-type: none">• The Customer can submit a Modification Application to move their Completion Date further into the future.• User Progression Milestones will be added to their agreement, aligned to the new Completion Date in their offer (following the timescale columns in the CMP376 Original, and using the date the Modification is offered as the offer date).• The new offered Completion Date will be provided by the TO and ESO – there is a risk for the customer that this may be significantly later than their existing contracted Completion Date.• A standard Modification Application fee would be charged for this option. | <ul style="list-style-type: none">• A customer can choose to keep their current completion date or if a Modification Application is not made then ESO will issue an ATV to modify the Construction Agreement and add Queue Management Milestones which would be aligned to the User’s existing Completion Date• If Users are already compliant with some or all the Milestones when an Agreement is signed, ESO will record them as compliant and apply Milestones in a forward looking manner (next Milestone in line)• No Modification Application fee will be charged for this option. |

Pre 27 November 2025 Connections



NOTICES TO CUSTOMERS UNDER WACM 7



Exceptions from Legal text

The Exceptional issues which apply in the context of the **Queue Management Process** are as follows:

- Where the **User** is delayed in carrying out the **User's Works** which entitles the User to fix a later date or dates under Clause 3.2 of the **Construction Agreement** (Delays and Force Majeure) and that delay is the reason that a **User Progression Milestone** is not met;
- Where the **User** is not able to meet a **User Progression Milestone** due to an event of **Force Majeure**;
- Where delays caused by a party (other than the **User**, **The Company** or a **Relevant Transmission Licensee**) can be demonstrated to have an
- impact upon the **User** meeting a **User Progression Milestone** and the **User** could not have avoided these delays or their impact by the exercise of **Good Industry Practice**
- Where a **User** is not able to meet a **User Progression Milestone** due to Planning appeals and third-party challenges in relation to the **User's Consents**;
- Any delay in the achievement of a milestone by the **User** which is caused by a **Relevant Transmission Licensee** or **The Company**

Termination process

A project will be classified as at “**risk**” where:

- The evidence for the Milestone has not been provided to the ESO by the Milestone due date or is considered by the ESO to be insufficient except where the ESO agrees there is an exceptional issue.
- The ESO will then commence the Termination process.
- Under this process, ESO will first issue an “Milestone Default Notice” giving the User **60** calendar days the “**Default Milestone Remedy Period**” to rectify the missed milestone.

For Milestones 1 to 3, if at the end of the 60-calendar day notice period the User has still not met the Milestones, notice will be given terminating the Construction Agreement.

For Milestones 5 to 8 if at the end of the 60-calendar day notice period the User has still not achieved the Milestone, ESO will consider whether to exercise the “**right to**” terminate.

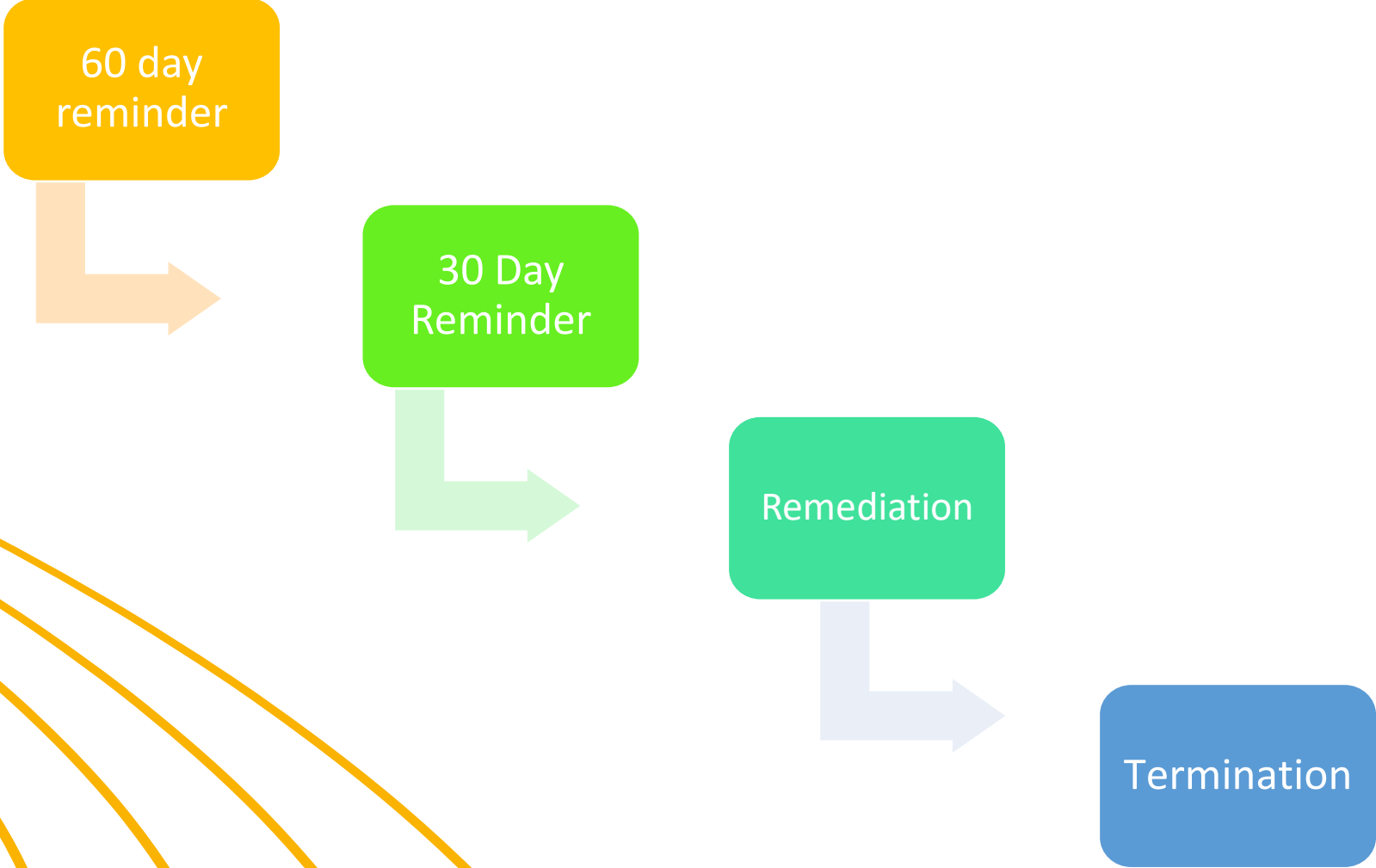
Modification Application

In the case of the first Modification Application made by a User after CMP376 implementation (27 November 2023) for any pre-existing Construction Agreement(s) (and which introduces the Transmission Queue Management process into that pre-existing Construction Agreement), User Progression Milestones are set based on the Modification Application Offer Date and the Completion Date in that Offer.

For any subsequent Modification Application made by a User, User Progression Milestone dates stay fixed – even where changes are made to the Completion Date – unless there is an exceptional issue or ESO discretion in relation to termination of M5-M8 is engaged, as stated in CUSC section 16 Paragraph 16.5.

If a User submits a Modification Application to bring a Completion Date forward, ESO would use the Milestone table to calculate the dates based on that new programme and issue a new Appendix Q.

Notifications from the Connections portal



Q&A



Please ask any questions using Q&A function.

Thank you

Next Agora –

13th December 2023 10:00 – 10:45

Please take the time to give us some feedback on today's Agora

