

Jamie Webb
Acting Independent Chair
CUSC Panel

Email: connections@ofgem.gov.uk

Date: **20 December 2023**

Dear Mr. Webb,

Decision on urgency for the Connections and Use of System Code (CUSC) modification proposal CMP427: 'Update to the Transmission Connection Application Process for Onshore Applicants'

On 13 December 2023, National Grid ESO (the 'Proposer') raised CUSC modification proposal CMP427.¹ Following the Panel meeting, we received a request from the Panel on 15 December that CMP427 be treated as an urgent modification proposal.²

This letter sets out our decision that CMP427 should be progressed on an urgent basis.

Background

As set out in the Connections Action Plan (the 'CAP')³, there are significant challenges being encountered in the connections process as we drive progress towards realising a net zero power system. A consequence of these challenges is a considerable transmission connections queue, standing at over 420GW of queued capacity as at the end of November 2023.⁴ This has resulted from a variety of factors, one of which is an inadequate set of entry requirements.

¹ [CMP427: Update to the Transmission Connection Application Process for Onshore Applicants | ESO \(nationalgrideso.com\)](#).

² 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. This decision is made by or on behalf of GEMA.

³ [Ofgem and DESNZ announce joint Connections Action Plan | Ofgem.](#)

⁴ Transmission Entry Capacity Register data.

We are alert to the need for reform in this space. In taking steps to address this, we have recently approved CMP376: Inclusion of Queue Management within the CUSC.⁵ This will result in new and existing construction agreements having queue management milestones inserted into them, for which failure to meet these can result in ESO terminating their construction agreement.

However, as set out in the CAP, we know there is more that can be done. As such, ESO were encouraged to rapidly bring forward a new code modification proposal to codify a landowner Letter of Authority ('LOA') requirement at application.⁶ An LOA would provide ESO with confirmation that the project developer has either formally engaged in discussions with the landowner(s) in respect of land rights needed to enable the construction of the project on the land, or to demonstrate land ownership. This change would see new onshore transmission connection applications requiring an LOA alongside existing application criteria in order to be considered valid and complete.

The Proposer has noted that the unprecedented growth in applications, the high project attrition rate and an incremental approach in assessing applications has led to inefficient network capacity allocation and overdesign, contributing to higher network costs and longer timescales for connection dates being offered. The Proposer believes the LOA: gives more certainty that a project is valid and able to progress, can help to reduce the number of speculative applications, ensures that genuine connections are facilitated, and better aligns the arrangements between transmission and distribution level.

Further, the Proposer has made a case for urgency on the basis of criterion a) *A significant commercial impact on parties, consumers or other stakeholder(s)*. The protection of the interests of consumers and the government's net zero targets have been cited as reasons for this. It is posited that introducing the LOA urgently will:

"[...] result in a reduction in speculative transmission connection applications. A reduction in speculative applications will allow for an earlier connection date for viable projects and prevent unnecessary system design and reinforcement, and the associated resource and cost in doing this. Reduction in unnecessary network capacity allocation and network design may arise from this modification, and should lead to lower TNUoS costs. An increase in new connections may also translate into better options for decisions in balancing services, leading to BSUoS efficiencies. There should be less speculative projects and so less cancellations, lowering risk of costs."

⁵ [CMP376: Inclusion of Queue Management process within the CUSC | Ofgem.](#)

⁶ [Electricity networks: connections action plan - GOV.UK \(www.gov.uk\)](#) at page 34.

Panel View

At the CMP427 Panel meeting on 15 December 2023, the Panel unanimously agreed to recommend to Ofgem that CMP427 should be progressed as an urgent modification proposal.

The Panel agrees with the Proposer's justification for urgency against Ofgem's criterion a) *A significant commercial impact on parties, consumers or other stakeholder(s)*. Some Panel members believed a significant impact to consumers had been identified. Another member noted the potential solution could make a significant difference to the number of applications submitted to NGENSO, which could impact on the resourcing and hiring requirements of the organisation. However, another Panel member noted that the nature of the impact to consumers that would result from a delay has not been detailed.

Our decision

In reaching our decision on the urgency of CMP427, we have considered the details within the proposal, the justification for urgency, and the views of the CUSC Panel. We have also assessed the request against the urgency criteria set out in our published guidance.⁷

Our guidance sets out that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed, may cause:

- a significant commercial impact on parties, consumers or other stakeholder(s);
or
- a significant impact on the safety and security of the electricity and/or gas systems; or
- a party to be in breach of any relevant legal requirements.

As set out in the CAP, we encourage industry to bring forward reforms which will make tangible improvements to the connections process, aid with decarbonisation efforts and ultimately benefit end consumers. It is considered that there is more that can be done to raise the current entry requirements to securing capacity, which can in tandem help reduce the prevalence of speculative applications. Without prejudice to our eventual decision on CMP427 in response to the FMR to be completed in Q1 2024, we are conscious that if additional measures are not pursued at the earliest possible opportunity, there is a real risk that the existing issues will endure for longer and exacerbate further.

⁷ [Ofgem Guidance on Code Modification Urgency Criteria | Ofgem](#).

We consider that the defect which CMP427 seeks to address, if not urgently addressed, may cause a significant commercial impact on parties, consumers or other stakeholders. We consider the significant commercial impact to be higher network costs and longer timescales for connection dates being offered, which are associated with inefficient network capacity allocation and design. This is based on:

- unprecedented growth in applications. The volume of connection applications received by the ESO has increased approximately tenfold over the last five years. The transmission generation and storage connection queue has been growing by rates of up to 30GW a month. As of November 2023, 569GW of projects held connection agreements across the system (148GW distribution; 421GW transmission);⁸
- the high project attrition rate (ie projects which secure capacity following a connection application but which end up ultimately failing to connect) of 60-70%;⁹
- and an incremental approach in assessing applications.

We consequently consider that if the addition of an LOA requirement is not urgently sought: there will not be an improvement in connection timescales for current developers, there is a real risk to future commercial investment in Great Britain and our decarbonisation efforts, and we could see higher costs attributed to current and future energy consumers.

We therefore consent to this modification proposal being treated as urgent.

We agree the modification should follow the urgent timetable set out below:

Process	Date
Ofgem Decision on Urgency	21 December 2023 (5pm)
Workgroup 1	09 January 2024
Workgroup 2	15 January 2024
Workgroup 3	17 January 2024
Workgroup 4	19 January 2024
Workgroup Consultation (5 working days)	22 January 2024 to 26 January 2024
Workgroup 5	31 January 2024
Workgroup 6	05 February 2024
Workgroup report issued to Panel	07 February 2024
Panel sign off that Workgroup Report has met its Terms of Reference	09 February 2024
Code Administrator Consultation (5 working days)	12 February 2024 to 16 February 2024
Draft Final Modification Report issued to Panel and Industry	21 February 2024

⁸ Transmission Entry Capacity Register data.

⁹ ESO Connections Reform Consultation, June 2023, at page 9.

Draft Final Modification Report presented to Panel / Panel Recommendation Vote	23 February 2024
Final Modification Report issued to Panel to check votes recorded correctly	23 February 2024 (2pm - 4pm)
Submit Final Modification Report to Authority	23 February 2024 by 5pm
Authority Decision	01 March 2024
Date of Implementation	15 March 2024 (10 WD after Authority Decision)

For the avoidance of doubt, in granting the request for urgency, we have made no assessment of the merits of the proposal and nothing in this letter in any way fetters our discretion in respect of the proposal.

If you have any comments or questions about this letter, please contact connections@ofgem.gov.uk

Yours sincerely,

Tessa Hall

Head of Electricity Connections

Duly authorised on behalf of the Authority