

27th February 2024

Update on Two Step Connection Offers

Dear All,

I am writing to you to provide an update on the Two Step Offer process.

The Electricity System Operator and National Grid Electricity Transmission have been working towards providing all customers a Second Step 'full' Connection offer by the end of February 2024.

The Two Step Offer process was introduced to create space for wider industry reform for the connections queue. The initial expectation was that the process would enable customers to receive an improved connection date, based on their first step offer. This was based on a forecast of effectiveness of actions in the 5 Point Plan, the time to undertake these reforms and an estimated number of new customers applying for an offer during this time period.

In 2023, there was an unprecedented increase in connections applications, with over 150GW of new connections requests spread across 500 contracts requiring two step offers, which is over double the original estimate. This volume, alongside the scale of the network reinforcements work required, has reached a level significantly above and beyond the requirements suggested in our Future Energy Scenarios. The transmission connected queue within GB has grown by 25GW a month for last 6 months and by 200GW over the last year to nearly 500GW in total. This is nearly 9 times the existing peak demand of 58.5GW.

As Second Step offers reached the advanced stages of network assessment and processing, it became clear that the anticipated benefits of the process could not be delivered, with approximately 60% of customers due to receive a later connection date and the remaining 40% receiving the same date as was in their First Step offer.

Recognising the detrimental impact to individual customers, the ESO and NGET took decisive action and requested that Ofgem permit an alternative assessment approach to improve the overall connection dates offered compared to the initial 2 step process outputs.

By taking a different approach when considering wider system enabling works and aligning with the forthcoming outcome of the tCSNP (Transitional Centralised Strategic Network Plan), we expect to improve the range of customer dates overall, such that 60% of customers will receive a better or aligned date to First Step. At this point in time 40% will receive a date beyond step 1, but we are working to see if these can be further improved.

In order to deliver this alternative process and improve the offering to customers, additional time is needed. Therefore, we will start to issue Second Step Offers from 28th February 2024 with the commitment that **all Second Step Offers will be issued by 31 May 2024**. For applications that were received post the closure of the Two Step offer in November, we will align our assessment approach and will provide final offers by the end of May.

We do not consider the changes to the Two Step process as an enduring solution to the broad challenge of significant connection delays. This is a limited change to the interpretation of enabling works, which is a transitional step towards the revised network modelling assumptions that we propose to introduce through wider connections reform.

Making further progress in resolving challenges to managing the GB transmission connections queue requires continued collaboration between the ESO, Ofgem, the Government, Transmission Owners

and the industry. We will build on the collaborative work to-date with these parties as we look to free up capacity in the connection queue for viable projects.

Alongside NGET and the other Network Owners we are working tirelessly on short, medium and long term initiatives to help support reform to the existing Connections processes, so that we can best expedite projects. We appreciate that the delay with the Two Step Offer process will be disappointing and frustrating and would like to offer our sincere apologies for this.

We thank you for your patience and understanding as we work through this process. Your Customer Contract Manager will be in touch as soon as they have any further information to share. We will also be happy to answer any questions at the new Connections Forum we are launching on 12th March and at our next Customer Seminar in Glasgow on the 23rd April.

Best Wishes,

Nicola Bruce

Head of Connections Operations

ESO