
Connection Reform – Policy consultation on required licence changes

Explainer Cover Note

Dear stakeholder,

We are today publishing our policy consultation on licence changes we consider would be necessary to enable the implementation of the proposed Connections Reform.¹

This cover letter sets out how our consultation fits into the overall delivery package of reforms being worked through governance processes, for clarity and transparency. More detail is provided in the consultation document itself.

1. What are we consulting on?

This consultation proposes licence changes we consider would be required to both enable, and ensure the efficient and successful implementation of, the proposed Connections Reform.

We are proposing changes to three licences:

1. Electricity System Operator licence (“NESO licence”)
2. Electricity Transmission Standard Licence Conditions (“Transmission licence”)
3. Electricity Distribution Standard Licence Conditions (“Distribution licence”)

We are proposing new licence text for the NESO licence and the Transmission licence.

We are seeking stakeholder input on both the policy intent of the changes, and on whether the proposed licence text appropriately gives effect to that policy intent.

¹ More information on the TMO4+ (connections reform) proposal can be found on ESO’s website: [PowerPoint Presentation \(nationalgrideso.com\)](#) and [Connections Reform | National Energy System Operator](#)

For the Distribution licence we are only consulting on the policy intent of licence changes at this stage. We are not proposing any specific new licence text in the Distribution licence as part of this consultation. We consider there is more policy work to do before we consult on proposed new licence text.

2. Why are we consulting?

There are two principal drivers for the licence changes we are proposing:

- To enable licensed parties to be able to discharge their obligations with regards to the new connections process, as it is proposed in the ongoing code modification process and the new NESO methodologies currently under consultation.²
- To create the appropriate licence framework to drive the behaviours and outcomes we want to see in the new connections process.

3. Connections reform delivery package – how it all fits together

Reforms to the connections process are being developed in parallel across three separate parts of the regulatory framework, informed by the Government’s forthcoming Clean Power 2030 Action Plan. A map outlining how the different parts of the proposed connections reform delivery package would fit together is summarised in Figure 1.

² [Connections Reform | National Energy System Operator](#)

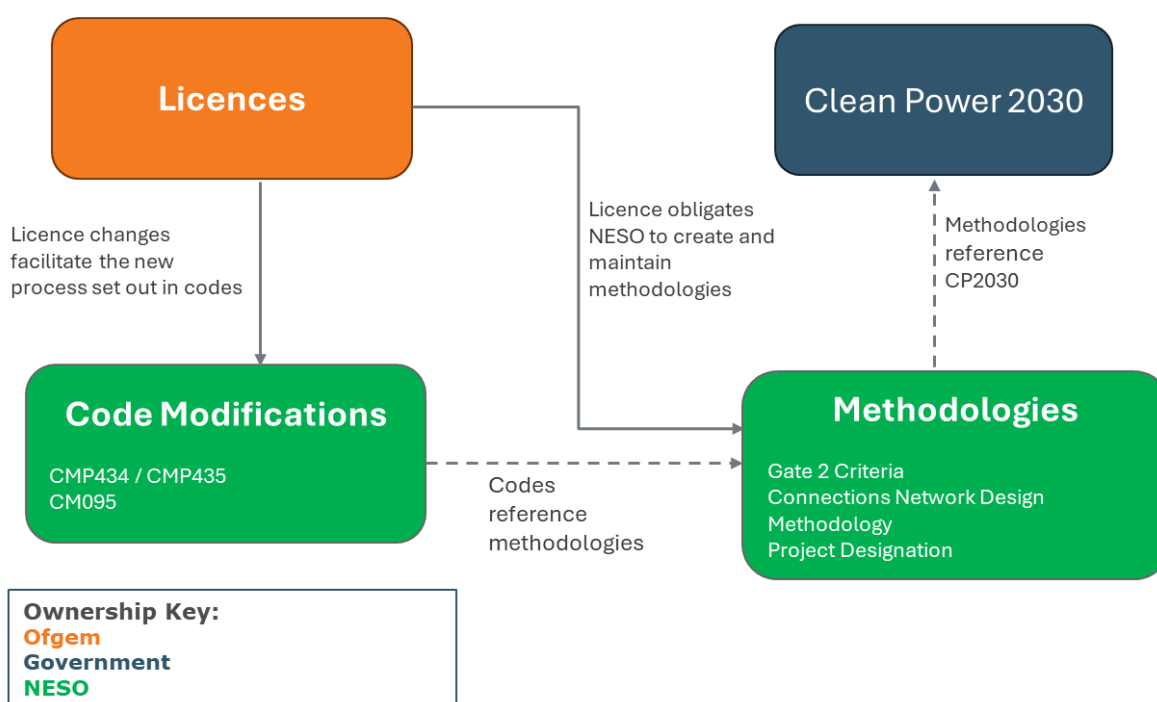


Figure 1 - Summary of the proposed regulatory framework underpinning connections reform

Each of the four component parts of the proposed delivery package is being developed and progressed through separate governance processes. This document represents the initial policy consultation on the Licences component. We expect to respond to this consultation in early 2025 with a statutory consultation on final proposed licence changes.

The other three component parts of the delivery package are as follows:

Code modifications

Four code modifications were raised by NESO on 19 April 2024, and have been progressing at pace throughout 2024:³

- CUSC Modification CMP434 – Implementing Connections Reform⁴

³ We only list three code modifications here. The fourth code modification, CM096 – Application of Gate 2 Criteria to existing contracted background, was later withdrawn by NESO as proposer - [CM096 Application of Gate 2 Criteria to existing contracted background | National Energy System Operator](#)

⁴ [CMP434 Implementing Connections Reform | National Energy System Operator](#)

- CUSC Modification CMP435 - Application of Gate 2 Criteria to existing contracted background⁵
- STC Code Modification CM095 – Implementing Connections Reform⁶

Current status at time of writing - The Code Administrator Consultations for the three active code modifications closed on 26 November 2024. We expect to receive the Final Modification Reports (FMRs) for Authority decision on all three code modifications before end- 2024.

Connections methodologies

The connections methodologies would provide the detailed criteria governing how NESO and network companies should operate within the new proposed connections process. They are referenced by the proposed new code requirements being developed as above.

As part of our policy consultation we are consulting on licence changes to require NESO to develop and maintain these methodologies. These proposed new methodologies would allow NESO to discharge its new enhanced role in coordinating a whole system approach to energy system planning and connections.

NESO have developed three proposed connections methodologies as follows:

- *Gate 2 Criteria Methodology* – specifies the criteria that relevant applicants and existing customers connecting to (either using or impacting on) the transmission system (including relevant distribution connections) need to meet to receive and maintain a connection offer with a confirmed connection location and date, and a confirmed place in the connections queue.
- *Connections Network Design Methodology (CNDM)* – contains the process that NESO and network companies will follow to order the connections queue, assess the enabling infrastructure required to make connections, design a coordinated network and prepare connection offers.
- *Project Designation Methodology* – sets out the process by which NESO will designate projects under the reformed connection process, based on the criteria outlined in this methodology. The rationale for this designation process is for NESO to ensure that projects that are critical to security of supply, provide

⁵ [CMP435 Application of Gate 2 Criteria to existing contracted background | National Energy System Operator](#)

⁶ [CM095 - Implementing Connections Reform | National Energy System Operator](#)

significant additional consumer, Net Zero, economic and/or societal benefits are considered and adequately included in the reformed connections queue.

Current status at time of writing – NESO published a consultation on the proposed connections methodologies on 5 November 2024.⁷ The consultation is due to close on 2 December 2024. We expect to receive the final methodologies from NESO for Authority decision alongside the code FMRs before end- 2024.

Clean Power 2030

Government commissioned NESO in August 2024 to advise on credible pathways to achieving clean power by 2030, including consideration of criteria that could support connections reform.⁸

The Government has received NESO’s advice and expects to publish its Clean Power 2030 Action Plan by the end of this year.

The forthcoming Clean Power 2030 Action Plan is explicitly referenced by the new proposed connections methodologies currently being consulted on. The proposal is for technology capacity pathways set out in the Clean Power 2030 Action Plan to inform the Gate 2 Criteria in the Gate 2 Criteria Methodology, which in turn governs which projects obtain a Gate 2 offer with confirmed date and location.

Current status at time of writing – Government expects to publish its Clean Power 2030 Action Plan before end- 2024.

4. Next steps

This consultation will close on **6 January 2025**. The responses we receive will inform the further development of the policy intent and specific text of the licence changes.

We plan to undertake a statutory consultation on our final proposed licence conditions in early 2025, contingent on us receiving the FMRs and final methodologies for decision, and on the Clean Power 2030 Action Plan being published, before that point.

Finally, we expect to take our final decision on the full connections reform delivery package – licence changes, code modifications and connections methodologies – together in Q1 2025.

⁷ [Connections Reform | National Energy System Operator](#)

⁸ [Advice on decarbonising the power sector by 2030: NESO commission - GOV.UK](#)

We expect to see the benefits delivered by the new process begin to manifest, including revised offers sent out to connecting customers, by the end of 2025.

Yours sincerely,

Jack Presley Abbott

Deputy Director, Energy Systems Design and Development Directorate

Signed on behalf of the Authority and duly authorised for that purpose