Minded-to Decision

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Minded-to Decision: Gate 2 Methodology

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This minded-to decision relates and is subsidiary to the document titled 'Consultation: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment', which invites responses to questions on connections reform proposals, including our minded-to decisions relating to the proposed Methodologies.

Subject to a consideration of responses received, we[1] are minded to approve the Gate 2 Methodology.

Gate 2 Methodology approval would be contingent on the adoption of the proposed licence conditions, in particular new proposed condition E15. The licence conditions, if implemented following the statutory consultation, would be the basis for the Methodologies (including this Gate 2 Methodology) coming into force.

Gate 2 Methodology approval would also be contingent on CMP434 and CMP435 being approved. CMP434 sets out the enduring process for applications and offers in Section 17 of the Connections and Use of System Code (CUSC) and CMP435 sets out the Gate 2 to Whole Queue process for existing agreements in CUSC Section 18. The CUSC refers to the 'Gate 2 Criteria Methodology' which is the same as the 'Gate 2 Methodology'.

We have reached our minded-to position by assessing the Gate 2 Methodology against the policy intent and objectives we set for this Methodology in the draft NESO licence conditions, which are being consulted on. We have also taken into account our principal policy objective, wider statutory duties, the legal text in CMP434 and CMP435 and stakeholder feedback.

1 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.

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1.Summary

1.1 The Gate 2 Methodology is an important part of the NESO's proposed connections process design known as TMO4+ reform package[2]. TMO4+ requires changes to industry codes (CMP434, CMP435 and CM095), licences (NESO, Transmission and Distribution) and the introduction of new Methodology documents (Gate 2 Methodology, Connections Network Design Methodology (CNDM), Project Designation Methodology). Methodologies are only required and can only be approved as part of the entire TMO4+ reform package. Ofgem's 'minded to' decisions on the TMO4+ code modification proposals and the statutory consultation on licence changes have been published simultaneously with our position on the Methodologies.

1.2 Gate 2 is the point at which eligible projects are provided with a confirmed connection date, connection point, and queue position. Readers should refer to the Gate 2 Methodology for details of the criteria and processes.[3] However as a broad summary, the Gate 2 Methodology contains the Gate 2 Criteria applicable to both existing customers and new applicants. The criteria are in two parts:

- The Gate 2 Readiness Criteria – these provide the basis to collect, assess, and verify evidence as to whether projects are sufficiently progressed ('ready').
- The Gate 2 Strategic Alignment Criteria – projects must meet one of these criteria in addition to being sufficiently ready:
    - Criterion A: eligible for relevant 'protections' (set out in section 6.2 of the Methodology)
    - Criterion B: aligned to the capacities within the CP2030 Action Plan as described in the Connections Network Design Methodology
    - Criterion C: designated as described in the Project Designation Methodology
    - Criterion D: a project not within scope of the Clean Power 2030 ("**CP2030**") Action Plan[4] and of a technology type listed in the table in section 6.3 of the Methodology

[2] This is referred to as the TMO4+ / TMO4+ reform package interchangeably throughout this document and refers to the entire package, including the code modifications CMP434, CMP435, CM095, and the three methodologies: Gate 2 Methodology, Connections Network Design Methodology, and Project Designation Methodology.
[3] https://www.neso.energy/document/350236/download
[4] Clean Power 2030 Action Plan - GOV.UK

1.3 The Gate 2 Readiness Criteria will be referred to throughout the rest of this document as Readiness Criteria or Readiness. The Gate 2 Strategic Alignment Criteria will be referred to as Strategic Alignment Criteria or Strategic Alignment.

1.4 Overall, the Gate 2 Methodology facilitates delivery of both the Connections Action Plan ("**the CAP**") objectives and the CP2030 Action Plan by providing a basis for the prioritisation of projects that are sufficiently ready and needed.[5][6] Our primary consultation document 'Consultation: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment' provides further policy context.

1.5 The Gate 2 Methodology works in conjunction with the CNDM to deliver an enduring process for aligning connections with the CP2030 Action Plan, the Strategic Spatial Energy Plan (SSEP) and future energy system plans.

1.6 In this Minded-to Decision, we have assessed the Gate 2 Methodology against:

- our principal objective to protect the interests of existing and future gas and electricity consumers our other statutory duties (for a fuller description, see 'Consultation: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment)
- the objectives for this Methodology as set out in the proposed NESO licence conditions
- compatibility with the intention of CMP434 and CMP435 and relevant legal text
- stakeholder feedback to the NESO consultation on the draft Gate 2 Methodology

1.7 Applying the Gate 2 Methodology to both the existing queue and future applications is necessary to address connections reform policy objectives and achieve a smaller, strategically aligned connections queue which contains the energy mix Great Britain needs.

1.8 Subject to a final decision, we intend to approve the Gate 2 Methodology coming into force. Our current view is that the Gate 2 Methodology delivers the policy objectives for this Methodology set out in the draft NESO licence conditions and accords with our principal policy objective (see section 3). In our view NESO has

[5] Connections Action Plan: Speeding up connections to the electricity network across Great Britain
[6] Clean Power 2030: Action Plan: A new era of clean electricity

appropriately considered and responded to stakeholder feedback on its connections design proposal as a whole and on the Gate 2 Methodology in particular.

2. Policy context and intent

The role of Gate 2 Methodology

NESO's Connections Methodologies (Gate 2 Methodology, Project Designation Methodology, and CNDM) collectively deliver connection policy reform objectives, in line with code modification proposals, as required and enabled by the proposed new licence conditions.

This section sets out the role of the Methodologies and relevant policy objectives. This context underpins the rationale for the Minded-to Decision in section 3.

Context and policy objectives relevant to the Gate 2 Methodology

2.1 The Connections Methodologies are intended to allow NESO to discharge its new enhanced role in coordinating a whole system approach to energy system planning and connections.

2.2 NESO is responsible for the planning and operation of the energy system, taking into account whole system needs and ensuring that the network can be designed accordingly by network companies. With its enhanced responsibilities, it is appropriate for NESO, through its licence, to be charged with having greater control over the connections process to support the delivery of the CP2030 Action Plan and future strategic plans. Accordingly, the Methodologies contain the transparent processes that NESO and network companies would adhere to within the new proposed connections process, alongside appropriate safeguards.

2.3 A summary of each Methodology is provided in our primary consultation document 'Consultation: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment' as well as further overall background on the policy context informing the TMO4+ proposals. This section does not repeat the policy context contained in our primary consultation document; it instead highlights some key points relevant to the Gate 2 Methodology.

First-ready; first-connected

2.4 Moving to a 'first-ready, first-connected' connections process has been a longstanding policy objective. In our May 2023 Open Letter on future reform to

the electricity connections process,[7] we outlined the priority of "*removing projects which are not progressing from the queue, improving connection dates and enabling shovel-ready projects to connect ahead of those who may not be*". The concept and creation of the Gate 2 Methodology, in particular the Readiness Criteria, responds to this objective. Our Impact Assessment accompanying this Minded-to Decision provides further detail on the growth of the connections queue over time and the case for extending Gate 2 Criteria beyond Readiness Criteria to respond to the scale of the challenge and meet policy objectives.

Alignment with strategic plans

2.5 The CAP also set a vision for a reformed connections process that is aligned with future strategic network build and spatial energy planning. In particular, it set out the objective of "*a pipeline of expected projects and connection dates that is consistent with net zero targets and all parts working together (network planning, build and connections) so net zero aligned projects can connect when ready*." The concept and creation of the Gate 2 Methodology, particularly the Strategic Alignment Criteria, responds to this objective. In our Open Letter in September 2024,[8] Ofgem outlined the need for NESO to have more control over the connections process to facilitate the "*delivery of the strategic plans in an open, transparent way that safeguards the interests of industry as well as meeting statutory* objectives." The concept and creation of the Gate 2 Methodology responds to the need for connections to facilitate transparent delivery strategic plans.

Alignment with the CP2030 Action Plan and a robust pipeline beyond 2030

2.6 The Government published its CP2030 Action Plan on 13 December 2024. The Action Plan set explicit policy intent for the connections process "*to prioritise projects needed for 2030*" while maintaining "*a robust pipeline beyond 2030.*" The Gate 2 Methodology, in conjunction with the CNDM, responds to this intent by proposing a process that prioritises projects in line with the capacity pathways in the CP2030 Action Plan using a 10-year horizon to ensure a robust pipeline beyond 2030.

Alignment with proposed licence conditions, our principal objective and other statutory duties

[7] Open letter on future reform to electricity connections process
[8] Open letter on the reformed regulatory framework on connections | Ofgem

2.7 We consulted on proposals to introduce new licence conditions that place a responsibility on NESO to develop and maintain Connections Methodologies in November 2024. We proposed objectives for the Gate 2 Methodology in the new proposed licence condition E15.2 of the NESO Licence. According to this proposed licence condition, which is subject to statutory consultation, the Gate 2 Methodology should:

- be clear, transparent and objective
- facilitate a net zero energy system
- take into consideration strategic energy plans
- take into consideration the readiness of applicants to connect
- facilitate a safe and secure electricity supply

2.8 These objectives are identified in the proposed NESO licence conditions as the basis for the Authority's review and approval of the Gate 2 Methodology. We note that in carrying out its principal functions in accordance with the Energy Act 2023, NESO should act in the way that it considers is best calculated to promote net zero, security of supply, and efficiency and economy objectives.[9]

2.9 Section 3 affirms our current view on the compatibility of this Methodology with the intention of the proposer of CMP434 and CMP435 and relevant legal text relating to the Gate 2 Methodology.

2.10 Section 3 will also assess whether and how the Gate 2 Methodology meets the objectives in this section as well as our principal objective and relevant statutory duties.

3. Rationale for Minded-to Decision

An assessment of the Gate 2 Methodology against licence objectives, our principal objective and stakeholder feedback

This section provides the rationale for our Minded-to Decision. It summarises the key themes of feedback received on the Gate 2 Methodology, primarily through NESO's consultation on Methodologies, and NESO's response to that feedback. This section gives Ofgem's view on whether and how key themes of stakeholder feedback relevant to the Gate 2 Methodology have been addressed.

[9] As described in section 163(1) of the Energy Act 2023

This section also assesses whether the Gate 2 Methodology meets the objectives in the proposed licence condition, compatibility with CMP434 and CMP435, as well as whether approving it would be in line with Ofgem's principal objective and wider statutory duties.

Key themes in stakeholder consultation responses

Overall themes in response to NESO's connections reform design

3.1 This section reflects the feedback to NESO's consultation on its Methodologies[10] as well as our consultation 'proposed licence changes to enable TMO4+ Connections Reform'. It sets out our view of the key themes in the feedback that are relevant to both the Gate 2 Methodology and the CNDM. The Gate 2 Methodology and CNDM work in tandem to determine which projects are eligible for a connection contract and how the connections queue would be ordered.

3.2 Most stakeholders agreed with the principle of aligning the connections process with the CP2030 Action Plan, which takes effect through the Strategic Alignment Criteria.[11] Most stakeholders also agreed with using a 10-year time horizon to 2035 to assess applications and make connection offers. This section concentrates on overall themes where views were mixed or where substantive concerns were raised by multiple stakeholders.

Overall theme 1: lack of a holistic view and concerns about data informing CP2030 Action Plan pathways

3.3 There were some stakeholder concerns relating to the lack of a holistic view at the time of NESO's consultation to allow for a full understanding of the impact of aligning connections with the CP2030 Action Plan. There were also concerns about the sequencing of the connections reform process and the accuracy of the data NESO shared with the Government to inform its Action Plan.

Actions taken and Ofgem view

3.4 NESO's consultation was about the principles of, and implementation options for, the connections process design. We consider that stakeholders were able to provide meaningful views on, and responses to, the principle and approach to alignment set out by NESO, and that the effectiveness of these responses was not wholly dependent on finalised capacity pathway data or the publication of the CP2030 Action Plan. However, we recognise that it is important for stakeholders

[10] NESO shared both confidential and non-confidential responses with Ofgem following closure of their consultation on proposed Methodologies.
[11] In particular Strategic Alignment Criteria B: "*aligned to the capacities within the CP30 Action Plan as described in the Connections Network Design Methodology*"

to have a holistic view that includes the Action Plan alongside the Methodologies. By sharing our Minded-to Decisions, we are providing an opportunity for stakeholders to see and respond to the full suite of relevant documents ahead of our final decisions by referring to 'Consultation: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment'. This would also enable stakeholders to further consider and make submissions in relation to potential impacts that could arise as a result of the application of the Gate 2 Connections Criteria.

3.5 We also agree that the most accurate and transparent data available should be used to ensure fairness for project developers and the best outcome for consumers. We are pleased that NESO's consultation on its Methodologies and draft Impact Assessment enabled NESO to consider and strengthen the data used to inform the locational capacity ranges in the Government's CP2030 Action Plan.[12] In particular, NESO responded to challenges by updating data, increasing capacities for some technologies compared to its original Clean Power by 2030 advice[13] and by informing the approach to zonal capacities that limits a more granular locational approach to: short-duration storage, solar, and onshore wind. While there are drawbacks to sequencing the initial consultation on the Methodologies ahead of the publication of the Action Plan, it was necessary having regard to the urgency of reforms and it has, moreover, proven to be beneficial to test and strengthen the data informing the Action Plan ahead of its publication on 13 December 2024. We welcome that NESO is considering further whether the transmission and distribution split of solar capacities is appropriate, which we cover further in 'overall theme 2' below.

3.6 We are minded to consider this feedback theme to have been appropriately addressed, albeit that we are open to consideration of further submissions by stakeholders.

Overall theme 2: calls to increase protections for more advanced projects

3.7 There was a strong strand of feedback on the risk that alignment with regional capacity pathways could exclude relatively mature projects (for example, those with planning consent) needed to deliver Clean Power by 2030. In particular, there were calls to give certainty and protection to projects with planning consent, Contracts for Difference (CfDs), Capacity Market contracts (CMs), Power

[12] The granular capacity ranges can be found in "Clean Power 2030 Action Plan: A new era of clean electricity - Connections reform annex."
[13] Our Clean Power 2030 advice to Government | National Energy System Operator

Purchase Agreements (PPAs), or with current connection dates in or before 2028. Some respondents also sought to address increasing protections for mature projects through more flexible substitution arrangements across regions and technologies, and between transmission and distribution.

Actions taken and Ofgem view

3.8 NESO has listened to and acted on feedback in this area to propose increased protections for relatively mature projects. There are also updated protections for projects that have secured a CfD, CM contract, or are an Interconnector or Offshore Hybrid Asset with regulatory approval.

3.9 Significantly, the Gate 2 Methodology has been updated to provide that projects would meet the Strategic Alignment Criteria[14] if the applicant has a contracted connection date on or before 31 December 2026,[15] or has submitted an application for planning consent on or before 20 December 2024, and has secured planning consent by the close of the Gate 2 to Whole Queue evidence submission window.

3.10 Protections are realised by 'protection clauses' set out in both the Gate 2 Methodology and the CNDM. Protections are set out in more detail in the current draft of the Methodology, but a summary follows.

- **Protection for projects due to connect by 2026**: Projects contracted to connect by the end of 2026 that have planning consent (queue management milestone M2[16]) and have reached final investment decision (queue management milestone M7) would meet the Gate 2 Strategic Alignment Criteria and, subject to meeting the Readiness Criteria, would receive a Gate 2 offer. These projects would also retain their existing contracted connection date and connection location.
- **Protections for significantly progressed projects***:* Significantly progressed projects would meet Gate 2 Strategic Alignment Criteria if they have submitted their planning application (queue management milestone M1) on or before 20 December and received consent prior to the closure of the first application window. Projects that hold a CfD or CM contract, or have regulatory approval from Ofgem (for example, Cap and Floor agreement or Merchant Interconnector approval) would also be deemed 'significantly

[14] Specifically criterion A in section 6.2: "*eligible for relevant 'protections'*"
[15] Subject also to meeting relevant queue management milestones see section 6.2 for details.
[16] On 13 November 2023 we approved CMP376 such that queue management milestones could be inserted into relevant connections connects at transmission. Milestones are set out in more detail in the decision: CMP376 Decision final 131123

progressed' and receive a Gate 2 offer with a confirmed point of connection and date either as part of the Gate 2 to Whole Queue exercise or in the first enduring application window (should the project need to reapply).

- **Partial protections for projects that do not receive planning consent decisions in good time or appeal planning decisions**. Projects that do not receive planning consent before the closure of the first application period (and have applied before that time), and projects that successfully appeal planning decisions ahead of the next application window, would receive partial protections. Projects that submitted planning prior to the closure of the first application window and receive consent after its closure would only be required to adhere to the GB total permitted capacity rather than any relevant regional capacity pathway for that technology if and when they chose to reapply for Gate 2 in the next application window (in circumstance where the delay in planning consent was the reason for not meeting Strategic Alignment criteria). Projects that receive planning consent through appeal after the first application window would be treated as if they had been granted consent and would meet Strategic Alignment criteria in the next window irrespective of whether capacities would be exceeded.

3.11 While projects with connection dates before 31 December 2026 are protected, the approach to providing assurance for advanced projects based on their planning status would mitigate the need to protect projects based simply on their pre-existing 2027 or 2028 connection dates. Planning consent, for example, is in our current view a better measure of progression than the date in an existing contract. Ultimately, we expect that most projects with connections dates on or before 2028 are likely to receive a Gate 2 offer with a confirmed point of connection and date, if they are progressing with milestones in line with that connection date.

3.12 We also acknowledge that the CNDM provides NESO with a degree of discretion in the way it undertakes the rebalancing and substitution of zonal capacities. For example, in addressing undersupply as a result of a zonal imbalance against the CP2030 Action Plan, NESO can determine whether adjusting the capacity allocated to the same technologies in adjacent or overlaying zones is appropriate. We expect NESO to use this discretion where it supports achieving Clean Power by 2030 and in accordance with its duties under the Energy Act 2023.[17] For

[17]In particular section 163(1): the net zero objective; the security of supply objective; and the efficiency and economy objective.

example, our accompanying Impact Assessment shows that up to 23GW of solar projects with planning applications submitted may not meet Strategic Alignment Criterion B with a strict application of zonal capacity limits, while the national capacity limits are not met. However, the Methodologies allow NESO to address this potential imbalance (in this case an imbalance across transmission and distribution) and other similar imbalances in a way that reflects the overall objective of Clean Power by 2030, respects national capacities in the Action Plan, accounts for the relative readiness projects, and considers trade-offs such as electricity system constraints. We know that NESO is already actively considering how to address this imbalance either through use of the rebalancing and substitution mechanisms already provided for in the Methodologies, or through revisiting the transmission and distribution split of solar capacities.

3.13 Our current view is that the Methodologies contain sensible and necessary flexibilities over and above the more concrete 'protections' described above. However, if and when NESO needs to use discretion as part of addressing the types of imbalances identified above, **we expect NESO to share its principles and process to balance relevant trade-offs in time for the Gate 2 to Whole Queue process**.

3.14 We are minded to consider this feedback theme to have been appropriately addressed.

Overall theme 3: mixed views on attrition and the impact on competition

3.15 There were mixed views on NESO's approach to replacing projects that exit the queue before connection ('attrition') as part of aligning with the CP2030 Action Plan. Some respondents suggested including additional capacity over and above 2030 capacity ranges to account for projects not progressing and to ensure there is a sufficient pipeline of projects to draw on to deliver Clean Power by 2030. There were also concerns that connecting projects in line with the capacity ranges in the Action Plan would reduce liquidity in CfD and/or CM auctions.

Actions taken and Ofgem view

3.16 The CP2030 Action Plan contains capacities to 2035. The inclusion of capacities up to 2035 is, in our current view, a contingency that fulfils a similar function to adding an attrition figure to 2030 capacities. In our current view it is preferable for this contingency to be tied to the CP2030 Action Plan rather than being an arbitrary 'buffer' over 2030 capacities.

3.17 Future Energy Scenarios (FES)-derived capacity ranges to 2035[18] allow connections reform to have a 10-year horizon, and at a national level, NESO's clear expectation is that this would likely result in there being significantly more capacity in the queue than is needed for 2030. In our current view, while connection reforms facilitate achieving Clean Power by 2030, offers being given to capacities up to 2035 helps maintain investor confidence, ensure contingency for 2030 capacities, and provide a glide path to the first SSEP. Accordingly, offering connections contracts on the basis of 2035 capacities is the primary contingency for projects needed for 2030 exiting the queue.

3.18 The CP2030 Action Plan capacities to 2030 and FES-derived capacity ranges to 2035 would set the mix of projects for queue ordering but would not dictate connection dates. It is evident from NESO's consultation that some stakeholders misunderstood this point, so we consider it important that we underline it. This means that if a project is in 'phase 2'[19] (needed in line with FES-derived capacities to 2035 but above what is needed for 2030) it can receive a pre-2031 connection date if there is available capacity and if the project can meet all the milestones required to connect in that timescale. Conversely, there is a low risk that a project needed for 2030 may not get a pre-2031 date if there is insufficient network capacity in that location.

3.19 We acknowledge that projects that receive connection dates in or after 2031 as part of the proposed 'Gate 2 to Whole Queue' exercise may not be able to be pulled forward once planning, finance, construction, and energisation timelines are adjusted by developers to align with prospective connection dates. As a result, **it is important that more projects than are needed for 2030 (i.e. more than in the CP2030 Action Plan 2025-2030 capacities) receive connection dates up to 2030** as an outcome of the 'Gate 2 to Whole Queue' exercise.

3.20 Our current view is that the Methodologies facilitate delivery of this objective but this objective is also contingent on network plans and the rate of network build. It requires connection offers to reflect the contingency provided by 2035 capacities. Our provisional view is this means that delivering Clean Power by 2030 is dependent on: (i) sufficient projects requesting and being offered pre-2031 dates

[18] The connections annex to the CP2030 Action Plan set out technology capacity ranges to 2035 mainly derived from NESO's net zero-aligned 2035 Future Energy Scenarios (FES) 2024, with a bespoke approach for onshore wind and unabated gas: Clean Power 2030 Action Plan: A new era of clean electricity: Connections reform annex

[19] Phases, set out in more detail in CNDM, are constructs to organise and order the connections queue.

drawing on 2035 capacities and (ii) network companies delivering the associated enabling network infrastructure in time.

3.21 We expect network companies to work closely with NESO on this objective. We also expect network company plans, including RIIO-T3 plans, to demonstrate coherent needs cases for the enabling infrastructure needed for Clean Power by 2030, accounting for projects exiting the queue before 2030 and the 2035 capacities in the CP2030 Action Plan.

3.22 Turning to the concern around liquidity for CfD and CM auctions, approximately one third of projects in the existing connections queue with connection dates before 2031 are not sufficiently ready to compete in CfD/CM auctions. NESO estimates that if these proposals were approved, there would be 150-170GW of Gate 2 eligible contracts with pre-2031 dates in the connections queue by the end of 2025. Based on the available data, this is expected to be more than the existing maximum of ready projects with pre-2031 dates in the current connections queue that would be able to compete in CfD or CM auctions for the delivery years until the end of 2030. Accordingly, NESO expects competition for CfDs or CM contracts to increase ahead of 2030 because the application of the Gate 2 Criteria would mean that more ready projects would have been accelerated in the connections queue and be in a position to compete in CfD/CM auctions. This is a reasonable assumption but, as above, it is contingent on NESO and network companies delivering sufficient pre-2031 offers as part of the 'Gate 2 to Whole Queue' exercise.

3.23 Overall, while we presently consider this feedback theme to have been appropriately addressed, we expect NESO to keep its approach to replacing projects that exit the queue under review. **After receipt of Gate 2 evidence, we expect NESO to consider if, based on new information, there is any reason to review and update the Methodologies**. In doing so, NESO should consider whether its Methodologies remain likely to result in the connection of expected generation capacities by 2030, as well as faster connections for demand. The proposed licence conditions relating to the Gate Methodology allow for NESO to make changes, subject to consultation for significant updates.

3.24 For these reasons, our current view is that in not setting an upfront allowance for attrition NESO has adopted a reasonable position given the inclusion of 2035 capacities in the CP2030 Action Plan, even having regard to the mixed response received on the issue.

Overall theme 4: calls to provide different treatment for hybrid projects

3.25 NESO has proposed that hybrid projects would be managed according to how they interact with the system.

3.26 Hybrid projects (projects made up of two or more generation and storage technologies sharing a grid connection) are not considered separately in the CP2030 Action Plan, therefore NESO would assess these projects based on the technology capacities for the individual technology types comprising the hybrid project, and on the type of connection agreement they are seeking.

3.27 This approach means that if a hybrid project intends only to export power, it would contribute towards the permitted capacity of the generation asset. However, if a hybrid project intends to both import and export, it would be considered as contributing to the permitted capacity totals for both storage and the generation technology. Some respondents argued for increased flexibility in prioritising hybrid projects, often citing system benefits such as optimising the use of the network cap and enhancing grid stability.

Actions taken and Ofgem view

3.28 NESO did not change its stance and proposes to assess the system impact and behaviour of projects to classify them for alignment with the capacity pathway in the CP2030 Action Plan.

3.29 As outlined in our accompanying Impact Assessment, the primary relevant consideration is that energy storage built as part of a hybrid project may utilise the network in different ways to standalone battery capacity, even if energy is imported from the network. We acknowledge that treating import storage that is part of a hybrid project in the way proposed by NESO risks assuming that it operates in the same way as standalone batteries, as modelled in the CP2030 Action Plan. It could be argued that this approach fails to acknowledge that hybrid storage can behave differently to standalone storage and to treat it in the same way could restrict commercial innovation.

3.30 However, in our view, there are two main factors that ultimately lead us to support NESO's proposed treatment of hybrid projects in the first iterations of the Gate 2 Methodology and CNDM. Firstly, NESO's approach does not impinge on the freedom for developers to make use of storage 'behind the meter' to change its export profile or deliver other commercial benefits without contributing to the storage capacity limit. Project designation also provides a potential route to join or remain in the queue irrespective of capacity limits for storage 'in front of the meter' that is genuinely innovative or meets the threshold for clear system benefit set out in that Methodology, and subject to the relevant notice being

issued. However, we expect the bar for designation to be high (see separate Minded-to Decision on the Project Designation Methodology for more detail).

3.31 Secondly, delivering the projects needed for 2030 is the priority. Providing additional flexibility to, or prioritising, hybrid projects where the storage has import capacity would have consequences for other, more progressed projects which are needed for 2030. Our provisional view is that it would not be fair to deviate from the CNDM queue management process and provide this relative advantage when NESO's current modelling indicates that, while hybrid assets with storage have the freedom to choose when and how to import and export capacity, there is no material difference in terms of system behaviour and impact between, for example, storage that is co-located and wants to import and export, and standalone storage. In both cases NESO would need to assume it acts in either way.

3.32 Ultimately, we want NESO's Methodologies to be as objective as possible (see assessment against proposed licence objective 1 below). While the modelling of hybrid projects and the case for providing different treatment for hybrid projects may change in time, currently we agree that there is no clear justification for a differential treatment. In our current view, it is appropriate to treat hybrid projects in line with their behaviour and impact on the network, and in accordance with other technologies.

3.33 We consider this feedback theme to have been appropriately addressed, but we expect NESO to continue to consider the case for alternative treatment of hybrid assets as the technology and the modelling of these assets and their impact on the system develop.

Specific themes in NESO's consultation relating to the Gate 2 Methodology

3.34 Alignment between connections and strategic plans has been a long-standing policy objective that has required the publication of a government endorsed energy plan to enact. See our accompanying document titled 'Consultation: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment' for more policy context. The inclusion of 'Strategic Alignment' criteria in NESO's connections process design and Methodology consultation reflected direction from government and Ofgem that the connections process should facilitate delivery of the CP2030 Action Plan.

3.35 Options for Readiness Criteria have been explored by NESO and industry prior to the conception of the CP2030 Action Plan. In December 2023, NESO (then ESO)

stated as part of its recommendations that: *"a reformed connections process should be able to accelerate projects that are ready(ier) to connect as it helps allocate capacity to those projects that are most ready to use it*." Options to determine the right 'readiness threshold' were subsequently a key area of discussion with industry, culminating in NESO presenting its recommendation for 'secured land rights'[20] to be the threshold at the Connection Process Advisory Group (CPAG). While there remain some views expressed in response to NESO's consultation about the Readiness Criteria being either too high or too low, NESO's preference for land rights and the drawbacks of alternatives have been well considered and are broadly accepted by stakeholders.

3.36 Overall, consultation responses suggested that while there was room to refine and clarify certain aspects of the Readiness Criteria, as well as the method for collecting and validating evidence, the core proposal was well understood and broadly accepted. NESO's sentiment analysis of responses to its consultation indicated that 50% of respondents were positive and only 12% were negative about the Readiness Criteria contained in the Gate 2 Methodology.

3.37 This section sets out key themes in stakeholder feedback relating to the Readiness Criteria. The primary stakeholder feedback on the Strategic Alignment Criteria was on the robustness of the CP2030 Action Plan data and the need for protections for well advanced projects. This feedback is addressed in cross-cutting themes (above). Feedback on how Strategic Alignment criteria is applied to order the connections queue is addressed in the CNDM Minded-to Decision.

Gate 2 Methodology theme 1: Clarity around land rights requirements

3.38 While there was general support for secured land rights[21] to constitute the principal readiness requirement for the majority of projects, there were calls for clarity about the option length, including whether there was a need for a minimum option length, and whether the minimum 3-year period would be measured from the date the option is signed or from the date the Gate 2 application is submitted. There were also some suggestions for exceptions to meeting the 3-year minimum option length requirement.

3.39 There were also challenges to NESO's policy that minimum acreage requirements apply to small and medium embedded generation, with some calls to remove the

[20] An option over land, land ownership, or land lease.
[21] This would constitute either a land option (likely in most cases), evidence of existing ownership, or an existing land lease. Section 4 of the Gate 2 Methodology provides the detail.

minimum acreage requirements for sites below 50MW as well as some suggestions to review the values within the Energy Land Density Table.

Actions taken and Ofgem view

3.40 NESO has maintained the minimum 3-year option period and clarified that this is measured from the date the option is signed. Part of NESO's rationale for maintaining this is the exceptions process. In response to the consultation responses it received, NESO has included further exceptions and enhanced the wording of the exceptions, including specifying how extensions would be accounted for and treated.

3.41 In relation to feedback on the Energy Land Density Table, NESO brought forward the annual review of values from March to January 2025 and intends to share the output soon, which means that there would be more certainty on minimum acreage requirements for each technology.

3.42 Our current view is that land rights are an appropriate and achievable bar for projects to demonstrate readiness. It is important to strike a balance between a bar that is high enough to show progression while still considering practical constraints. We note feedback through NESO's consultation and stakeholder events that land rights may be too readily achievable; however, we recognise that a higher bar also has downsides.

3.43 Firstly, some developers would need to know where and when they are likely to connect as part of their planning application. Raising the readiness threshold to submission of planning could create a circular situation whereby a developer could either want or need confirmation of the connection point to submit an accurate planning application; and would simultaneously need to submit the planning application to receive a confirmed connection point. This could drive the submission of inaccurate or low-quality planning applications.

3.44 Secondly, an important aspect of the proposed connection process is to provide opportunities for advancement for projects that have flexibility in their development pathways and are capable of meeting a new accelerated date, either at their current point of connection or at an alternative point of connection. The opportunity for acceleration becomes more limited after submitting planning, so land rights as the bar for the majority of projects keeps the option of acceleration more open.

3.45 At the same time, in our view, the bar should be as close to planning submission as feasible (as this more clearly signals 'readiness'), whilst also being objectively verifiable. We understand that developers often seek to first secure exclusive land

rights for their site before submitting their application for planning consent. This is in line with how the current Queue Management Milestones are structured, with land rights for the site being required before a developer submits an application for planning consent. Accordingly, we are minded to agree with NESO that this is the clearest and objectively verifiable evidence of project progression ahead of submission of the application for planning consent.

3.46 A 3-year minimum demonstrates progression and, as above, we are minded to agree there is a need to set a minimum readiness threshold that is not so easy to achieve as to not be a real measure of commitment and progression. In that context, we are inclined to agree with NESO that land rights are the appropriate bar and that it is important to maintain a minimum option length. Further we consider that the additional amendments clarify the exceptions and bolster the case for maintaining the 3-year minimum.

3.47 We also consider that earlier transparency on the energy land density requirements is beneficial, and we welcome NESO bringing forward the review of values.

3.48 Accordingly, we are minded to consider feedback on this theme to have been addressed.

Gate 2 Methodology theme 2: Views on alternatives to planning criteria to show readiness

3.49 There were mixed views from respondents as to whether it is appropriate for the Readiness Criteria to be met by submission (and validation) of applications for planning consent for projects following the Development Consent Order (DCO) process.

3.50 NESO has proposed that the 'planning reference number' would be the required evidence of readiness for the DCO process. This reference number is only received after the relevant Statutory Authority validates the application. There were concerns that the time taken to validate applications can be variable and dependent on resources within the planning inspectorate. As a result, it can take some time after submission of an application to receive this reference number, and the concern is therefore that it would be unfair for the Readiness Criteria for projects in the DCO process to be subject to this uncertainty and potential delay.

Actions taken and Ofgem view

3.51 The majority of projects are expected to demonstrate readiness by showing that they have land rights. Using planning criteria to demonstrate readiness is only

expected to be required when a project follows the DCO route to secure relevant land rights. NESO does not believe it would be necessary to extend this route to other planning processes; however, it has now included the opportunity for projects to provide evidence of submission of another planning process application, which would be assessed on a case-by-case basis to avoid unintended consequences. We agree that 'land rights' is the appropriate threshold for the majority of projects but it is reasonable and proportionate to include a provision in the Methodology to ensure that projects subject to specific planning processes should be considered to prevent unfair outcomes.[22] We also welcome NESO proposing to accept evidence of submission into the DCO process rather than a reference number as long as the applicant supplies the reference number ahead of receiving a Gate 2 offer.

3.52 In our view, it is important that the Readiness Criteria remain consistent and objective, with only limited necessary exceptions that enhance fairness and proportionality. As a result, we are inclined to think it is appropriate for NESO to keep some limited discretion to assess whether the Readiness Criteria are met with evidence that alternative planning has been submitted.

3.53 NESO's clarification that projects seeking planning permission through the DCO process would be allowed to provide evidence of the submission of their application for planning as an alternative to providing their planning reference number appears to be a simple and appropriate fix for the potential delay in receiving a reference number.

3.54 Overall, our current view is that NESO has struck the right balance on having alternative options to show readiness. We agree that NESO retaining an element of discretion when assessing projects against planning criteria is necessary and appropriately limited.

3.55 Accordingly, we are minded to consider feedback on this theme to have been addressed.

Gate 2 Methodology theme 3: Specific feedback on the scope and timing of evidence assessment

3.56 Overall, there was a good level of support for NESO's approach to the assessment of evidence as set out in the Gate 2 Methodology. However, some respondents asked for clarity on who carries out which specific check, and some respondents

[22] Customers and applicants must be able to provide evidence that there is a need to follow an alternative planning process

argued that NESO (not, for example, DNOs) should conduct the assessment of whether small/medium embedded generation has met the Readiness Criteria. Concerns were also raised around the timing of checks and disputes relating to evidence verification. For example, some respondents challenged the fairness of not receiving a Gate 2 Offer in the relevant application window, even if they were successful in challenging the assessment of whether they met the Gate 2 Readiness Criteria initial checks or detailed checks.

Actions taken and Ofgem view

3.57 In response to the consultation responses received, NESO has provided further detail on who carries out each check, as well as when the initial checks are carried out. NESO has also clarified that readiness checks would be undertaken prior to the start of the Gated Design Process and that Small and Medium Embedded Generation can submit their Gate 2 applications at any time, allowing DNOs/Transmission Connected iDNOs to conduct some initial readiness checks ahead of the gated application window opening.

3.58 However, NESO has maintained its position that disputes would not be resolved within the Gated application window, which means that projects that are ultimately successful in challenging Readiness Criteria assessments would not be included in the CNDM queue ordering process or the design process for that window.

3.59 In our view, it is important that the transition from the application window to the design window is as swift as possible to provide certainty to applicants and to meet the pace of progress necessary to achieve the ambitious aim of Clean Power by 2030. As set out in our assessment of licence objective 1 below, the Readiness Criteria have been made as objective as possible, with limited exceptions and discretion. Therefore, our expectation is that evidence verification would be a consistent process with a low frequency of disputes. However, in cases where disputes do emerge and where no swift resolution is possible, we acknowledge that it would not be appropriate to delay the relevant design window to resolve disputes. In this context, we are inclined to agree with NESO maintaining its position but expect NESO to consider rapid ways to verify its assessment for clear cut disputes and provide an appropriate remedy for successful disputes without elongating the application window.

3.60 Accordingly, we are minded to consider feedback on this theme to have been addressed.

Gate 2 Methodology theme 4: Calls to refine the approach to readiness declaration

3.61 Overall, respondents were supportive of the proposal for Readiness Declarations.[23] However, there was some feedback on how implementation could be further refined.

3.62 In particular, there were suggestions that the Readiness Declaration should reflect that transmission and distribution connected projects can be on the same land, either using the same connection or connecting on different timescales.

3.63 Existing customers could seek to reduce export capacity during the 'Gate 2 to Whole Queue' process. There were some calls for customers to be exempt from cancellation charges[24] if they requested to reduce the scale of their project, particularly the export capacity, and therefore require less reinforcements. There were also calls for NESO to release a Readiness Declaration template for transparency and further industry consultation.

Actions taken and Ofgem view

3.64 NESO has added clarification notes for completing the Readiness Declaration, including setting out examples where transmission and distribution connections can be sited on the same land area.

3.65 However, NESO has maintained its position that projects seeking a capacity reduction under the 'Gate 2 to Whole Queue' exercise should not be relieved of their liability for the cancellation charge. Reducing capacity may result in network reinforcements that are either planned or underway being no longer needed. This is a cost for network companies, and as explained in our accompanying impacts assessment, non-attributable enabling works present a cost to consumers. In our current view, it is right to maintain the existing liability when customers seek to reduce capacity, rather than network companies and consumers taking on the liability for abortive reinforcement in the scenario where the customer drives the reduction of capacity.

[23] A Readiness Declaration is the submission of evidence by the User to Demonstrate they meet Readiness Criteria on a form provided by NESO. Section 9 of the Gate 2 Methodology provides detail on the information required and the differences between the information required as part of the Gate 2 to Whole Queue exercise and in enduring application window.
[24] Cancellation liabilities occur when a User underwrites the work on the transmission system their connection triggers. From any time after accepting a connection offer, when a customer cancels their connection, they are at risk of paying a cancellation charge.

3.66 NESO has also further improved transparency by confirming that Readiness Declaration Templates would be made available and appended to the Gate 2 Methodology.

3.67 Accordingly, we are minded to consider feedback on this theme to have been appropriately addressed.

Assessment of the Gate 2 Methodology against draft licence objectives

Licence objective 1: be clear, transparent, and objective

3.68 Our current view is that the Gate 2 Methodology contains clear and objective criteria that are as transparent as possible. We have considered the Readiness Criteria, Strategic Alignment Criteria, and how these criteria would be applied to arrive at our provisional conclusion.

Readiness Criteria

3.69 NESO has developed objective criteria that can be applied to determine whether applicants are eligible for a Gate 2 offer. As set out in the 'Gate 2 Methodology theme 1: Clarity around land rights requirements' above, we agree that exclusive land rights are an appropriate threshold for the majority of applicants.

3.70 It is straightforward to understand and evidence: existing customers and applicants can self-assess prospective compliance. There is a limited role for NESO discretion in the application of Readiness Criteria; this is appropriate in the context of criteria that are designed to evidence objective project progression. However, in response to feedback, NESO has introduced discretion to assess evidence of readiness where an existing customer or applicant can demonstrate that it needs to follow an alternative planning process (other than DCO applicant submission) in order to be granted CPO powers to secure relevant land rights (see 'Gate 2 Methodology theme 2: Views on alternatives to planning criteria' to show readiness above). Our provisional view is that this limited discretion is necessary to avoid unintended consequences, for example not considering some projects where a CPO and an alternative planning process is needed. In our current view this approach would avoid such outcomes and enhance fairness should planning application scenarios not foreseen by NESO (for example, which preclude an applicant from being able to demonstrate Readiness) be necessary.

Strategic Alignment Criteria

3.71 Unlike the Readiness Criteria, it will not always be possible for applicants to determine for themselves whether they meet the Strategic Alignment Criteria. It

would be clear for projects that fall within Criteria A (protection clauses) or D (projects listed as out of scope of the CP2030 Action Plan), that they meet the Strategic Alignment Citeria. These criteria are unambiguous and wholly transparent. We consider the transparency of Criterion C (designation) is assessed in our Minded-to Decision on the Project Designation Methodology and that is not repeated here.

3.72 As to meeting Criterion B (alignment with the CP2030 Action Plan capacities), meeting this is contingent on NESO applying the process contained in the CNDM to order the queue in phases up to the capacity limits in the CP2030 Action Plan. As set out in the specific feedback themes regarding NESO's consultation on the Gate 2 Methodology above, some stakeholder feedback on NESO's consultation pointed to a lack of transparency around how the Strategic Alignment Criteria would be applied. As set out in our assessment of how stakeholder feedback has been addressed, (see 'theme 1: lack of a holistic view and concerns about data informing 2030 pathways')] this has now been addressed to a significant extent by the publication of capacity ranges[25] and enhanced clarity in the CNDM on how the capacity ranges would be applied to order the queue and prepare offers (see CNDM Minded-to Decision).

3.73 Nonetheless, it remains the case that there would be a cohort of applicants that would not be able to determine with any certainty whether they are likely to meet, or have met, Criterion B. This is especially true for the first window (the Gate 2 to Whole Queue exercise) as it impacts all existing connection agreements. We consider that this is a necessary consequence of NESO needing to apply criteria to order the queue in a way that responds to policy direction and do not see an alternative more transparent means of achieving the necessary objective.

3.74 Existing customers or applicants not being able to determine with absolute certainty ahead of applying for Gate 2 whether they meet Criterion B can to some extent be mitigated by NESO publishing information on its Gate 2 assessment at the earliest opportunity. This would provide additional and valuable information and transparency, albeit it does not wholly mitigate the lack of upfront transparency for existing customers and users before and during the application window. NESO currently intends to publish Gate 1 and Gate 2 outcomes for the first window only once updated agreements have been signed. WACM 1 for CMP435 and WACM 7 for CMP434 would direct NESO to publish such information

[25] Clean Power 2030 Action Plan: A new era of clean electricity: Connections reform annex

in provisional form as soon as reasonably practicable after the Gate 2 Criteria have been applied. This would allow for customers to decide whether they wish to proceed (or apply for advancement/update their existing advancement request, where the customer is an existing User in the context of CMP435) ahead of the design window and would also further support transparency in the period after initial checks and before offers are prepared.

Application window and validation

3.75 As well as criteria that are as objective as possible, the Gate 2 Methodology appears to us to include clearly defined terms[26] and a clear and transparent process of how evidence would be gathered and evaluated. The Methodology sets out the differences between the application of criteria to existing contracted parties[27] and application of criteria in the enduring process.[28]

3.76 Overall, we currently consider that NESO has established a well-defined and objective Methodology that works in conjunction with the CNDM to provide a clear basis to determine which projects are eligible for a Gate 2 offer and how eligible projects would be prioritised. The Readiness Criteria are transparent and can be applied consistently and fairly. Strategic Alignment Criteria A, C, and D are also transparent, and Criterion B is sufficiently clear once read in conjunction with published capacities, though we acknowledge that some applicants face limitations in their ability to determine with certainty their likelihood of meeting this criterion in advance of making an application. We are minded to conclude that the Gate 2 Criteria meet the transparency and objectivity requirement in the proposed licence condition. However, we expect NESO to explore opportunities to publish information on initial Gate 2 checks and final Gate 2 outcomes at the earliest opportunity.

Licence objective 2: facilitate a net zero energy system

3.77 As set out in our accompanying 'TMO4+ Impact Assessment', slow moving, speculative and unnecessary projects hold queue positions and block networks from releasing physical resources, such as substation bays. A more effective connections process that takes into account strategic network plans is essential to unlock investment in the locations and technologies that meet GB's future electricity needs and net zero objectives.

[26] For example, dispatchable technologies, LDES, batteries and nuclear
[27] Under CMP 435 in accordance with Section 18 of CUSC
[28] Under CMP 434 in accordance with Section 17 of CUSC

3.78 As set out above, our provisional view is that the Gate 2 Methodology sets out a clear basis for assessing whether projects are sufficiently ready to take up scarce network capacity in order to be eligible for a connections contract and aligned with the capacity pathways in the CP2030 Action Plan or otherwise needed.

3.79 Turning first to the role of the Readiness Criteria, our current assessment is that these criteria set an appropriate threshold to support achieving a net zero energy system. This is because the bar is high enough to ensure that projects have made a tangible commitment to project development, while not making planning applications (the next logical milestone) a bottleneck or limiting scope for accelerations in the future. Accordingly, the Readiness Criteria play an important role in releasing network capacity and providing (a) the opportunity to accelerate projects that are needed to deliver Clean Power by 2030, and (b) increased certainty for projects needed to meet net zero. The Impact Assessment accompanying this Minded-to Decision provides more detail on both of these impacts.

3.80 Turning to the Strategic Alignment criteria, these criteria would facilitate alignment with the capacities within the Government's CP2030 Action Plan. The capacities in the Action Plan are ranges that are mostly derived from NESO's net zero-aligned Future Energy Scenarios (FES).

3.81 Accordingly, we are minded to conclude that the Gate 2 Methodology meets this licence objective.

Licence objective 3: take into consideration strategic energy plans

3.82 The Gate 2 Methodology plainly takes strategic energy plans into consideration. It introduces the Strategic Alignment Criteria, providing a basis to ensure that projects that are aligned with what is needed to deliver the CP2030 Action Plan or meet alternative Strategic Alignment Criteria are eligible for Gate 2 connections contracts. Strategic Alignment Criterion B requires projects in scope to be within a capacity limit specified in the CP2030 Action Plan.

3.83 Strategic Alignment Criterion B facilitates the mix of prioritised generation and storage that provides a more efficient and achievable path to Clean Power by 2030 and then for a net zero energy system by 2050 by requiring alignment with locational capacities. The application of Strategic Alignment Criteria A, C, and D provides necessary discretion and flexibility to avoid unintended and disproportionate consequences, whilst supporting alignment with the Action Plan.

3.84 The inclusion of wave, tidal, and non-GB generation is not expected to result in significant additional generation capacity, and any such capacity would support

net zero goals. Project designation is expected to be used rarely for critical projects (see Minded-to Decision on Project Designation Methodology for more detail).

3.85 Transmission-connected demand also does not have any capacity limits derived from the CP2030 Action Plan and would only need to meet the Readiness Criteria. This was the most coherent way for NESO to address demand in the absence of a demand pathway or specific direction in the Action Plan, and large-scale demand projects are likely to benefit in line with the Government's broad expectations to ensure timely connections for demand.

3.86 NESO has a degree of discretion in the way it addresses undersupply as a result of any zonal imbalances against the CP2030 Action Plan. As noted in feedback theme 2 'calls to increase protections for well advanced projects', we expect NESO to use this bounded discretion in a way that best facilitates meeting the CP2030 Action Plan, in accordance with their statutory duties and to have principles and process to balance relevant trade-offs in time for the 'Gate 2 to Whole Queue' exercise.

The path to the first SSEP

3.87 Policy choices about the SSEP baseline have not yet been made, but we expect the SSEP to be relatively free to optimise while including projects that are more certain to connect in its baseline. This means that, depending on choices about the SSEP baseline, using FES-derived capacities out to 2035 as the basis for connections may result in a degree of divergence between the first SSEP and the connections pipeline. Where this is the case, NESO has confirmed that these projects would maintain Gate 2 contracts. We support this stance. NESO's stance means that if the capacities in the first SSEP are lower than the FES 2035 capacities, this would not result in altered contracts. However, it is a reasonable expectation that SSEP, with a longer time horizon, may have higher overall capacities than the CP2030 Action Plan, with exceptions for certain zones possible. We are minded to agree with the approach taken by NESO as it provides confidence in contracts and more certainty for investors and developers.

3.88 We expect the Strategic Alignment Criteria to be updated, as appropriate, to take into account the first SSEP once there is further clarity on its scope and once decisions are made about how connections would support the delivery of the SSEP[29] and future strategic energy plans.

[29] Strategic Spatial Energy Planning (SSEP) | National Energy System Operator

3.89 Accordingly, we are minded to conclude that the Gate 2 Methodology meets this licence objective.

Licence objective 4: take into consideration the readiness of applicants to connect

3.90 The Gate 2 Methodology plainly takes into consideration the connection readiness of applicants. It introduces the Readiness Criteria, which require applicants to provide evidence that they have met a minimum stage of development along the pathway to connection, either through the demonstration of land rights (in the majority of cases) or planning requirements.

3.91 As set out in our assessment of stakeholder feedback, our current assessment is that the Readiness Criteria set a sufficiently stringent but achievable threshold. Providing a readiness threshold to enter or remain in the queue is consistent with the CAP objectives (see paragraph 1.4) and complements previous measures approved to terminate projects that are not progressing, including CMP376[30] and the Letter of Authority requirement in CMP427.[31] Queue management, in particular, would become an increasingly important tool in the context of a contracted background that has already met Gate 2 Criteria, as it can be used to terminate projects and capacity that can be rapidly reallocated in line with the process contained in the CNDM.

3.92 While the Gate 2 Methodology sets out the unambiguous Readiness Criteria that applicants must meet to be eligible for a Gate 2 offer, the readiness of applicants is further taken into account in the Strategic Alignment Criterion B, which is applied in conjunction with the approach to queue ordering contained in the CNDM. The Strategic Alignment Criterion B therefore uses planning milestones to order the queue in alignment with the capacity pathways in the Clean Power 2030 Action Plan.

3.93 In addition to introducing the Readiness Criteria, the Gate 2 Methodology provides certainty and protection to well advanced projects that, for example, have already received planning consent. Taken together with the queue ordering process in the CNDM, the maturity of projects would play a major role in their prioritisation in the proposed connection process. Projects with planning consent are likely to be prioritised over projects that have only submitted planning

[30] CMP376: Inclusion of Queue Management process within the CUSC | National Energy System Operator
[31] CMP427: Update to the Transmission Connection Application Process for Onshore Applicants | National Energy System Operator

applications, and these are likely to be prioritised over projects with land rights. We consider that this involves an appropriate consideration of readiness.

3.94 As our accompanying Impact Assessment set out, the majority of the projects with an existing connection agreement which would not satisfy the Gate 2 Criteria would be those without land rights, therefore not meeting the basic Readiness Criteria. For most technologies, users that have submitted planning would be likely to meet the Gate 2 Criteria.[32]

3.95 In totality we expect this to result in a queue where more advanced projects receive connections dates pre-2031 so long as they are aligned with the CP2030 Action Plan, are out of scope of the Action Plan, or are subject to specific protection clauses, or (in a small minority of cases) are designated to address specific system needs.

3.96 Accordingly, we are minded to conclude that the Gate 2 Methodology meets this licence objective.

Licence objective 5: facilitate safety and security of supply

3.97 The capacity market is a primary mechanism for ensuring security of supply. Protecting projects with a CM contract in the manner proposed in Criterion A protection clause 2a and 2b facilitates security of supply.

3.98 The CP2030 Action Plan sets out a pathway towards deploying low carbon flexible capacity technologies alongside interconnectors, nuclear, and gas generation, which can provide more consistent export capacity. Therefore, Criterion B also facilitates security of supply as it reflects the alignment with capacity pathways that account for secure supply. This objective informed NESO's advice to the Government and is inherent in the capacity mix contained in the Government's Action Plan.

3.99 Criterion C also provides an explicit tool to respond to define security of supply issues as they emerge. The Project Designation Methodology contains more detail on this criterion and how it supports defined energy system needs.

3.100 Accordingly, we are minded to conclude that the Gate 2 Methodology meets this licence objective.

[32] Possible exceptions for short-duration storage, solar, and unabated gas are addressed in our accompanying Impact Assessment.

Compatibility with the intention of CMP434 and CMP435 and relevant legal text

3.101 Subject to their approval, the Methodologies would put in place the connections process as intended by the proposer of CMP434 and CMP435.

3.102 CMP434 is forward-looking: it would establish processes for all new applications for connection through putting in place the framework for a first ready and needed, first connected process. This process is enabled by NESO's Methodologies. The processes in the Gate 2 Methodology and CNDM that would allow NESO to implement the enduring connections process are compatible with CMP434.

3.103 CMP435 would set the rules for the 'Gate 2 to Whole Queue' exercise, during which the new Methodologies would be used to filter and reorganise the existing queue. The processes in the Gate 2 Methodology and CNDM that would allow NESO to implement the 'Gate 2 to Whole Queue' exercise are compatible with the intended function of the Gated Process for Projects with 'Existing Agreements.'

3.104 We note that the legal text for CMP435 states that existing agreements "will be processed in accordance with the Connections Network Design Methodology and the Designation Methodology". While the Gate 2 Methodology contains Strategic Alignment Criteria, Criterion B (alignment with the capacities in the CP2030 Action Plan) can only be applied with reference to the process contained in the CNDM. Similarly, Criterion C (designation) can only be applied with reference to the Project Designation Methodology.

3.105 The legal text does not expressly refer to the potential role of the CNDM or the Project Designation Methodology in determining whether existing projects have met the Gate 2 Criteria in the first instance. In any case, we consider the legal text does not preclude the CNDM or the Project Designation Methodology being used to determine whether a project has met the Gate 2 Criteria. We consider that the function of the CNDM and Project Designation Methodology is sufficiently clear, such that any role of the CNDM and Project Designation Methodology in assessing the Gate 2 Criteria is permissible within the CUSC and remains consistent with the requirement of processing under the CNDM and/or Project Designation Methodology.

3.106 In our current view, determining whether a user meets Criteria B and C with reference to the Gate 2 Methodology as well as the CNDM or Project Designation Methodology (respectively) is not in conflict with the intention of the proposer or the legal text itself.

Assessment of the Gate 2 Methodology against the Authority's Principal Objective and wider statutory duties

3.107 As referenced in section 2, Ofgem's principal objective is to protect the interests of existing and future energy consumers. This includes, but is not limited to, their interests in achieving net zero by 2050 and the five-year carbon budgets, as well as their interests in the security and supply of electricity to them. In addition, Ofgem has a new duty to have regard to the desirability of promoting economic growth provided for in the Deregulation Act 2015. A fuller description of Ofgem's statutory duties can be found in 'Consultation: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment'.

3.108 As to the **interests of consumers**, we expect consumers to benefit from the more efficient connections process that is very likely to result from application of the Gate 2 Criteria, and from more efficient network planning and build, which we consider will be enabled by these reforms.

3.109 One important interest is the affordability of energy. An excessively long and slow-moving queue results in inefficient costly network build and higher costs to consumers. An oversized queue misaligned with energy system needs reduces the ability of NESO and network companies to effectively allocate scarce network capacity and invest in necessary new network infrastructure. Delivery of network build required for an oversized queue would result in additional cost to consumers.

3.110 The Gate 2 Methodology is an integral part of the solution to this problem. For the reasons given above, we currently consider that the Gate 2 Methodology is very likely to improve NESO and network companies' ability to effectively allocate network capacity and invest confidently in new network infrastructure and in turn facilitate timely connection of generation / storage and demand.

3.111 As to the consumer interest in **achieving net zero** and the five-year carbon budgets, as set out in sections 2 and 3 above, we presently consider that the Gate 2 Methodology is an important part of the new proposed connection process, key to achieving Clean Power by 2030 and keeps Great Britain on track for a net zero electricity system.

3.112 As to the **consumer interest in the security of supply**, reducing the size of the connections queue by applying the Readiness and Strategic Alignment Criteria provided for in the Gate 2 Methodology is also expected to provide network companies with more confidence that the projects in the queue will progress towards connection or be replaced by other similarly viable and strategically

aligned projects if they do not. This, in turn, is expected to give network companies the confidence to build the strategic enabling works needed to connect what is needed for 2030 as well as accelerate the connection of projects where there is available network capacity and in turn, enhance security of supply.

3.113 As to **economic growth**, it is important that the UK provides a stable and attractive environment for investment. As set out in more detail in the accompanying Impact Assessment, the status-quo does not provide a sufficiently certain or stable environment, evidenced by the variation of contracts by both networks and customers and a lack of trust that current connection dates can and will be adhered to. This holds back further investment and slows project development.

3.114 Facilitating the connection of demand is an important component of driving economic growth. Demand projects connecting to the transmission system will not have any capacity limits derived from the CP2030 Action Plan. Once generation projects that do not meet Gate 2 Criteria receive Gate 1 offers, we expect capacity will be released to accelerate demand or simply provide better dates than would have been the case for relevant demand projects that apply in future. We expect this to enable demand customers, including data centres, large industrial businesses and housing, to connect more quickly. This facilitates economic growth better than the status quo.

3.115 Similarly, distribution-connected projects are also expected to benefit from the removal of capacity at transmission level, which we expect to be positive for local growth plans. As set out in our accompanying Impact Assessment up to 70% of distribution connections are reliant on transmission reinforcements. Many of these projects are able and willing to connect sooner, but the connection dates for many of these are driven by the time taken for transmission reinforcements, which take into account the reinforcements required for other transmission-connected assets. The faster connection of relevant generation and demand at distribution facilitates both growth and security of supply.

3.116 **Proportionality**: Our Impact Assessment sets out how we have assessed the costs and benefits of the policy; this includes, to the extent we have been able to appraise it, the adverse financial impact of the application of the Gate 2 Criteria on those that do not meet them against the benefits of the TMO4+ reform package. As set out in our assessment of proposed licence objective 4 (above), for most technologies, projects that have submitted planning are expected to be

eligible for a Gate 2 offer.[33] Accordingly, in general, projects with land rights but without planning permission, or indeed projects at an even earlier stage of development, are the projects that are comparatively more likely to receive Gate 1 offers in place of their existing contract. We acknowledge there are likely to be adverse impacts for some parties and we are minded to conclude that these impacts are proportionate and justified by the benefit of the TMO4+ reform package overall, which facilitates economic growth and net zero, reduces Great Britain's dependency on fossil fuels, insulates consumers from volatile gas prices, and ensures investment in generation and networks can be made more confidently.

3.117 Accordingly, we are minded to conclude that approval of the Gate 2 Methodology is in accordance with our principal objective and our other statutory duties.

4. Next steps

Approval process

4.1 Each of the Methodologies follows an approval process for their development, iteration, and amendment as specified in the new proposed licence conditions.

4.2 We expect to make our first approve or reject decision of the Methodologies following the consultation period. Should the decision be to reject the Gate 2 Methodology, we would specify the changes necessary for the Authority to be minded to approve.

4.3 If we chose to approve, following the first approval and introduction of the Gate 2 Methodology, NESO would be required to review the Methodologies at least annually, and to identify any changes that are necessary to ensure that the objectives are met. Ofgem would also have power to direct NESO to review Methodologies, if it believes that the objectives are not being met.

Expectations for identifying emerging issues and review

4.4 The introduction of the Methodologies provides the opportunity for NESO to have greater control and flexibility; in turn we expect NESO to monitor and act quickly to address emerging issues, as well as continually assessing how each Methodology can be improved in line with connections reform policy objectives,

[33] The exceptions are batteries, Solar, LDES, and unabated gas, where it is possible that projects that have submitted planning would not satisfy the Gate 2 Criteria as a result of oversupply from 'more ready' projects.

the proposed new licence objectives relating to the Methodologies, and other relevant statutory duties/objectives.

4.5 In relation to the Gate 2 Methodology, NESO's consultation received broadly positive responses on its overall process design, Readiness Criteria and the Strategic Alignment Criteria. As outlined in section 3 above, most suggestions to clarify and refine the Gate 2 Methodology were acted on. Where they were not, we have set out our reasons why we are inclined to agree with NESO's rationale.

4.6 As set out in section 3, NESO has considered alternative views and maintained its approach to accounting for projects that exit the queue ('attrition'). **After receipt of Gate 2 evidence, we expect NESO to consider if, based on new information, there is any reason to review and update the Methodologies**. In doing so, NESO should consider whether its Methodologies remain likely to result in the connection of expected generation capacities by 2030 as well as faster connections for demand. We also expect to further consider and validate NESO's assumption that no attrition is necessary, including considering the extent to which 2031-35 capacities are likely to receive pre-2031 dates once network company implementation plans are more developed.

4.7 Our current view is that the Methodologies contain sensible and necessary flexibilities over and above the more concrete 'protections' described above. However, if and when NESO need to use discretion as part of addressing the types of imbalances (for example, oversupply of solar at transmission and undersupply at distribution cited above and in our Impact Assessment), **we expect NESO to share principles and process to balance relevant trade-offs in time for the Gate 2 to Whole Queue process.**

4.8 This is in addition to our proposed licence obligation that the Gate 2 Methodology is kept under review and that emerging issues are monitored and prompt appropriate change outside of the 12-month update and approval cycle if that is necessary.

4.9 As new information becomes available, we would consider whether changes to the Methodologies are required. As above, we expect NESO to do the same. CMP434, CMP434 and the proposed licence conditions would (if approved) provide the levers to refine and, if necessary, make changes to Methodologies. However, based on the evidence available to this point, we are minded to approve the Gate 2 Methodology.

Next steps and opportunity to input

4.10 This Minded-to Decision relates to and is subsidiary to 'Consultation: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment' which invites responses to questions on connections reform proposals by 14 March 2025, including our conclusions relating to the proposed Methodologies.