Minded-to consultation: Connection and Use of System Code (CUSC) CMP434: Implementing Connections Reform, and CMP435: Application of Gate 2 Criteria to existing contracted background

Minded-to Position:	The Authority[1] is minded-to direct that WACM7 of CMP434 and WACM1 of CMP435[2] be made
Target audience:	National Energy System Operator (NESO), Parties to the CUSC, the CUSC Panel and other interested parties
Consultation opens:	14 February 2025
Consultation closes:	14 March 2025
Contact address:	connections@ofgem.gov.uk

[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.
[2] Note that the final decisions in respect of CMP434 & CMP435 will be split into two separate documents when we are making our final decisions on these CMPs. The decisions have been amalgamated into a singular minded-to document for the sake of brevity.

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Executive Summary

We are consulting on our minded-to decisions to approve WACM7 of CMP434 and WACM1 of CMP435 (together 'the CUSC Proposals'). This is part of a wider consultation, which includes a suite of other minded-to decision documents on the TMO4+ connections reform proposals.

We are also consulting on our minded-to decisions on CM095: *Implementing Connections Reform* as well as on all three of National Energy System Operator Limited's ('NESO's') Methodologies. We are at the same time conducting a statutory consultation in respect of related proposed licence changes and our Impact Assessment, which assesses the impacts of all parts of the proposed package of reform. We welcome views from those with an interest.

This document outlines a summary of the CUSC Proposals and any alternatives, the views of NESO as proposer of the CUSC Proposals (ie of the Original Proposals) as well as the views of Workgroup members, CUSC Modification Panel ('the Panel') members and those who responded to the Code Administrator Consultation ('CAC'). It also contains a summary of views expressed on any alternatives raised. We then assess the CUSC Proposals and any alternatives against the Applicable CUSC Objectives ('ACOs') as compared to the status quo, taking into account any views expressed and decide which option best facilitates achievement of the ACOs.

Following this evaluation of all options, we conclude that we are minded-to approve **WACM7** of CMP434 and **WACM1** of CMP435.

We compare our minded-to option for each of the CUSC Proposals as against the status quo, Original Proposal and any other Workgroup Alternative Code Modifications ('WACMs') and provide our reasoning as to why we believe our minded-to options better facilitates achievement of the ACOs than the status quo, Original Proposal and any other WACMs.

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We also provide our assessment of our minded-to option for each of the CUSC Proposals against our Principal Objective and 'wider' statutory duties.[3] In reaching these minded-to decisions, we have also had regard to other statutory duties, as more fully described in our Consultation: *TMO4+ Connections Reform Proposals -- Code Modifications, Methodologies & Impact Assessment* (the 'Overarching document') – applicable to Ofgem, NESO and network companies. Our rationale for approving these WACMs (set out in greater detail below) is:

WACM7 of CMP434:

- WACM7 contains all of the core features of the Original Proposal which we deem positive against the ACOs: creation of Methodologies to house core components of the connections process; incorporation of a Gated approach, with application windows; a Letter of Acknowledgement requirement; Reservation of capacity for projects where there is need; new ongoing compliance requirements; duplication checks, and more.
- Further, WACM7 introduces a Pause to specifically give applicants transparency of data of projects that have met Gate 2 (Gate 2 Register would reveal: connection point, completion dates, installed capacity and technology types) following closure of an application window for applicants to review, which should benefit competition. The Pause grants applicants the opportunity to reflect on their project's prospects in light of the published information about the status of other projects, and make decisions on their project in light of this;
- Gives NESO and TOs confidence that after the Pause, the Gated Design work would be optimised based on Users making decisions on the most up to date information. This should secure the most robust connections queue and increase the chances of customers connecting earliest (eg if a project withdraws following review of Register);
- Expected to increase the likelihood that the most ready and needed projects will be given offers for where and when they ought to be;
- Possibility for reduction in speculative projects in Gate 2 queue, through withdrawals; this would also lead to a reduced administrative burden for NESO and TOs since avoids the burden involved in network design and creation of the connection offer for that

[3] The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

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User (as well as any subsequent queue management action needed by NESO in the event that project failed to meet its milestones in future).

WACM1 of CMP435:

- WACM1 contains all of the core features of the Original Proposal that we deem positive against the ACOs, in their application to the existing contracted background: application of Methodologies with core components of the connections process; the Gate 2 to Whole Queue process; a Letter of Acknowledgement requirement; Reservation of capacity for existing projects where there is need; new ongoing compliance requirements on existing projects; duplication checks; contractual changes and more.
- The Pause introduced in WACM1 would specifically allow existing Users to evaluate their project in light of the information published in the EA Register and make the most informed choices in response. This would give NESO and Transmission Owners the most up to date and robust basis to carry out the network design and batched processing of applications, leading to a more viable and optimised connections queue. This could reduce the administrative burden and costs to NESO/TOs, whilst increasing efficiency;
- The transparency of project data could incentivise the most positive competitive behaviours in the market, for example through a project putting themselves forward for the most ambitious (but achievable) advancement date;
- Greater benefits for connection customers and GB consumers, since the Pause could lead to (due to the quantity of projects and scale of capacity in scope of CMP435) a significant number of projects updating their decision making. This would increase the likelihood that connection dates offered can be met by the most Users, and that capacity is most efficiently allocated in accordance with User desires and abilities (which is important to get right in the first instance, noting the Gate 2 to Whole Queue exercise only occurs once);
- Where updated advancement requests and/or withdrawals were to occur, this could see Users connecting faster than would be the case under the Original Proposal or any of the other WACMs;

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- Any withdrawals would increase the scope for accelerations (through there being fewer projects holding Gate 2 Offers and occupying capacity) and any advancement requests made in light of the EG Register could result in earlier energisation – to the benefit of connection customers and GB consumers.

Once the consultation is closed, we will consider all responses before making our final decisions. We will accept responses to this consultation to the Connections team inbox (connections@ofgem.gov.uk) until **14 March 2025.**

We will publish our final decisions thereafter. If you would like your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

Yours sincerely

Jack Presley Abbott
Deputy Director, Strategic Planning and Connections
Signed on behalf of the Authority and authorised for that purpose

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1. Background to the CUSC Proposals

1.1 The background to CMP434 is set out in our Consultation: TMO4+ Connections Reform Proposals -- Code Modifications, Methodologies & Impact Assessment Overview Document.

Context

1.2 NESO is required under its Electricity System Operator Licence ('NESO Licence') to maintain and operate the CUSC.4 The CUSC constitutes the contractual framework for connection to, and use of, the electricity transmission network in GB.

1.3 In accordance with the NESO Licence, Section 8 of the CUSC provides a mechanism for parties to propose changes which they consider better facilitate the achievement of the ACOs.[5] The proposals and any WACMs are reviewed by industry participants through a consultation process, including workgroups, and the process is overseen by the Panel. All CUSC modification proposals, other than modifications following the self-governance or fast track processes, can only be implemented upon approval by the Authority.

1.4 In deciding whether to approve or reject a proposal or any WACM, the Authority must consider whether the proposed modification would, as compared with the then existing provisions of the CUSC and any WACMs set out in the Final Modification Report (the 'FMR'), better facilitate the achievement of the relevant ACOs (which are set out below), as appropriate. In making its decision, the Authority must also act in accordance with its principal objective to protect the interests of existing and future consumers, and its statutory duties.[6] This includes consumers' interests in the Secretary of State's compliance with the net zero target and five-year carbon budgets.

[4] Condition E2 of the NESO Licence.
[5] Applicable CUSC Objectives are set out in Condition E2.4 (b) of the NESO Licence. There are also Use of System. Charging Objectives and Applicable Connection Charging Objectives, defined in Condition A1 of the NESO Licence, which are not relevant to this decision.
[6] The Authority's statutory duties are detailed mainly in the Electricity Act 1989 (in particular but not limited to section 3A) as amended.

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A fuller description of Ofgem's relevant statutory duties is provided in our Consultation: *TMO4+ Connections Reform Proposals -- Code Modifications, Methodologies & Impact Assessment* Overview doc.

The ACOs

1.5 The ACOs against which the options under the CUSC Proposals are to be assessed are set out in Condition E2.4 (b) of the NESO Licence:

> *(a) the efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence;*[7]
> *(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
> *(c) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and*
> *(d) promoting efficiency in the implementation and administration of the CUSC arrangements.*

2. The modification proposal: CMP434 Implementing Connections Reform

2.1 CMP434 proposes to move away from a *first come, first served* approach (to the connections process) by putting in place the framework for a *first ready and needed, first connected* process. It would establish a new gated process for all new applications for connection. This is proposed to be enabled by Methodologies (proposed to be introduced via changes to the NESO Licence)[8] which themselves would be supported by

[7] In respect of this ACO, please see our letter here.
[8] NESO, CMP434 FMR, December 20 2024.

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NESO guidance. The guidance documents are intended to aid readers in understanding in practical terms how the reforms would affect CUSC parties operationally.[9]

2.2 CMP434 is forward-looking: it would establish processes for all new applications for connection, while CMP435 (discussed below) would set the rules for the one-off "Gate 2 to Whole Queue" exercise, during which the new Methodologies would be used to filter and reorganise the existing queue.

CMP434 - Original Proposal

2.3 The Original Proposal of CMP434 is comprised of a number of Elements. Some Elements have been withdrawn since the code modification was initially raised. The Elements which remain part of the proposal are:

- **Element 1: Proposed Authority approved Methodologies and NESO Guidance** – the incorporation of provisions into the code which introduces a high level concept of Methodologies to give them a functional link into the codes, which then are fully drafted and updated outside of the code governance/modification process. These Methodologies are: the Gate 2 Criteria Methodology, the Connections Network Design Methodology ('CNDM'), and the Project Designation Methodology ('PDM').[10]
- **Element 2: Introducing a bi-annual application window and two formal gates, which are known as Gate 1 and Gate 2 (ie, the Primary Process)** – a new connections process, moving to a bi-annual application window with two formal gates. Depending on the status of the project, ie whether it meets the Gate 1 or Gate 2 criteria, would dictate the type of connection offer the customer receives.[11]

[9] We understand NESO is currently developing two new guidance documents to support the TMO4+ reforms: the Gated Modification Application guidance as well as Material Technology Change guidance. Further, three existing guidance documents will also be updated to reflect the TMO4+ reforms: the Queue Management guidance, the Letter of Authority guidance, and the Interactivity guidance. We understand NESO will publish these guidance documents as soon as possible to give sight to industry; in any case, these will be published prior to implementation.
[10] CMP434 Final Modification Report, page 9-10.
[11] CMP434 Final Modification Report, page 10-12.

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- **Element 3: Clarifying which projects go through the Primary Process** – notes the types of projects in scope of CMP434, including directly connected generation, directly connected interconnectors and offshore hybrid assets, directly connected demand, large embedded generators and relevant small and medium embedded generators.[12]
- **Element 4: Significant Modification Applications** – codifies the concept of a significant modification application, and will have separate guidance published by NESO on this prior to implementation.[13]
- **Element 5: Clarifying any Primary Process differences for customer groups** – outlines the differences in the Primary Process for certain customer groups, particularly Large Embedded Generators requesting a Gate 1 or Gate 2 offer; Relevant Embedded Small or Medium Power Stations requesting a BEGA; Relevant Embedded Small/Medium Power Stations; and offshore projects.[14]
- **Element 9: Project Designation** – codifies the concept of a PDM to allow NESO to designate[15] projects that can deliver significant net zero, system or consumer benefits and meet certain criteria (criteria set out in NESO's PDM[16]).[17]
- **Element 10: Connection Point and Capacity Reservation** - this feature gives NESO discretion to reserve capacity for a project which has not yet met the Gate 2 criteria, such that this capacity would not be available for other projects (which have met the Gate 2 criteria) to have that capacity allocated to them. NESO already has the ability to reserve substation bays, however it is presently only used in the Network Services Procurement process (previously Pathfinders).[18]
- **Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been**

[12] CMP434 Final Modification Report, page 12-13.
[13] CMP434 Final Modification Report, page 13.
[14] CMP434 Final Modification Report, page 14-16.
[15] To 'designate' means to elect specific projects for inclusion in the reformed connections queue or for potential prioritisation within that queue based on predefined criteria, as set out in the PDM.
[16] NESO, Project Designation Methodology, page 9.
[17] CMP434 Final Modification Report, page 16.
[18] CMP434 Final Modification Report, page 16-17. Reservation is only available to Gate 1 applicants and will only be provided for in a Gate 1 Offer where the User has indicated in its application form that it wishes to be considered for this. Capacity may only be reserved on the transmission system: the distribution system is out of scope of the Reservation power. Where a Gate 1 Offer with Reservation is made, the connection date and connection location of the Connection Site or Transmission Interface Site or site of connection may be provided and identified in the Gate 1 offer. Further, any subsequently made Gate 2 Offer will be made on that basis (ie with same specified site).

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achieved – this incorporates reference to (and reliance upon) the terms of the Gate 2 Criteria Methodology into the CUSC. Further, this Element imposes obligations on parties that have met the Gate 2 criteria (ongoing compliance requirements).[19] Failure to meet these obligations would impact the relevant party's entitlement to the intended installed capacity (and potentially TEC) or termination. These include the land rights and planning:

- Land requirements: the project must continue to show they have the appropriate land rights for their project, as introduced through CMP376[20]; the project would face restrictions on amending their project site location (for whatever installed capacity is built within the Original Red Line Boundary ('ORLB'), only 50% of that can be located outwith the ORLB, in absence of NESO discretion); the project must comply with minimum acreage requirements.[21]
- Planning: the deadline to meet milestone 1 (per Queue Management[22]) would be the earlier of either the date calculated forward from the point at which a project meets the Gate 2 criteria (according to the timescales set out in the Planning timetable in CMP434[23]) or the date backwards-calculated from the project's contracted completion date (relying on the Queue Management process).[24]

- **Element 13: Gate 2 Criteria Evidence Assessment** – the criteria for meeting Gate 2 is set out in the Gate 2 Criteria Methodology[25]; introduces the concept of Readiness Declarations (for developers to fill out to verify they have met the Gate 2 criteria with supporting evidence, including the ORLB of that project, as per Element

[19] CMP434 Final Modification Report, page 17-21.
[20] CMP376: Inclusion of Queue Management process within the CUSC | Ofgem.
[21] As according to the Energy Density Table set out under CMP427.
[22] CMP376: Inclusion of Queue Management process within the CUSC | National Energy System Operator.
[23] CMP434 Final Modification Report, page 20.
[24] The Queue Management process put in place an obligation on Users to meet milestones by a certain point in time. Milestone 1 is an obligation for the User to submit planning consent, and is calculated by working backwards from the User's planned completion/connection date. How long a User will have to meet M1 will vary depending on how far into the future their completion date is.
The addition of Element 11 adds a different lens through which the M1 duration can be calculated. The new M1 planning table (as set out in CMP434 FMR at page 20) sets out the durations calculated forwards from when the applicant meets gate 2 to give a deadline for when to have met M1 by. The overlap of Element 11 and QM means that the earliest deadline of the two ways of calculating M1 duration will always be what is imposed on the developer.
[25] NESO, Gate 2 Criteria Methodology.

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11 above) and subsequent duplication checks (for NESO to check the land submitted as evidence of meeting Gate 2 Criteria has not already been used as part of any other Gate 2 offer) into the CUSC.[26]

- **Element 15: Changing the offer and acceptance timescales to align with the Primary Process timescales (e.g., a move away from three months for making licensed offers)** – there is reference made to a new Gated Timetable, which is conditional on the licensed application and offer timescales being amended.[27]
- **Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)** – incorporates reference to (and reliance upon) the CNDM, which contains the process that NESO, Transmission Owners (TOs) and Distribution Network Operators (DNOs) would follow to assess connection applications and determine offers for generation, interconnection, storage and transmission connected demand. Significantly it includes the approach to applying Strategic Alignment criterion B[28] in the Gate 2 Methodology to relevant projects informed by the capacities in the Clean Power 2030 Action Plan ('CP2030 Action Plan').[29]
- **Element 18: Set out the process for how DNOs and transmission connected iDNOs notify NESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet Gate 2 criteria** – sets out the process and timescales for DNOs/iDNOs to submit connection application to NESO. Following closure of a Gate 2 Application window, DNOs/iDNOs are expected to: within 5 business days, provide basic construction planning assumptions to NESO; and within 15 business days, to provide full technical data.[30]

[26] CMP434 Final Modification Report, page 21-22. The developer will need to provide a Declaration (that their project has met the Gate 2 criteria, with supporting evidence, including the ORLB of that project, as per Element 11 above) to NESO (or, in respect of Relevant Small and Medium Embedded Power Stations, to the DNO or transmission connected iDNO) as part of their Gate 2 Application within the Gate 2 Process. DNOs or Transmission connected iDNOs will need to submit to NESO a copy of the Declaration(s) and project's ORLB provided to them in respect of Relevant Small and Medium Embedded Power Stations.
[27] CMP434 Final Modification Report, page 22.
[28] Connection customers must meet one of Strategic Criteria A-D. Strategic Criterion B is: aligned to the capacities within the Clean Power 2030 Action Plan as described in the Connections Network Design Methodology. This is further explained in our Ofgem *Minded-to Decision: Gate 2 Methodology*.
[29] CMP434 Final Modification Report, page 23.
[30] CMP434 Final Modification Report, page 23-24.

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CMP434 - Workgroup Alternative Code Modifications

2.4 Alongside the Original Proposal, there are seven WACMs for CMP434. The various WACMs operate in general terms in the same way as the Original Proposal (by introducing new processes and definitions for certain new and modified connection applications that would update the existing processes and enable those projects that are most ready to progress to connect more rapidly) but propose variations to the specific operation.[31] The WACMs and the way in which these differ from the Original Proposal are shown in the table below.

Alternative solution	**Differences from Original Proposal**
WACM1	Changes definition of Embedded power stations covered by the Primary Process to define them by capacity and adds new definitions for Category 1 and Category 2 Embedded Power Stations; clarifies treatment of Category 1 power stations at the <200kW threshold in Southern Scotland
WACM2	Places firmer obligations on DNOs/iDNOs on submitting information to NESO, through removal of "*reasonable endeavours*" wording on obligations to submit information to NESO within 5 and 15 business days after the closure of the Gate 2 Application Window, instead tying this to the timescales specified in the Gated Application and Offer process
WACM3	Codifies a new mechanism which requires NESO to offer freed up capacity following termination to the next contracted project in queue that has met Gate 2; removes ability of NESO to use such capacity for Project Designation or Connection Point and Capacity Reservation (which it would be able to do under the Original Proposal) and to this extent places restrictions on CNDM.
WACM4	Removes the ability of NESO to relax the 50% permitted tolerance to the ORLB requirements; removes ability for 50% tolerance to be updated via Queue Management guidance; codifies the permitted tolerance threshold (in CUSC).

[31] See the section titled "*Summary of alternative solutions and implementation dates*" beginning on page 3 of the CMP434 FMR, for a short description of each WACM's effect.

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WACM5	Removes references to Project Designation, with the intention and implication that the PDM will not exist such that NESO does not have the power to designate certain projects
WACM6	Obligates NESO to undertake a review of the Methodologies 12 months after the first gated run, then publish and report back to Panel the output of its review; Panel then determines whether to set up a standing group to determine if the Methodologies should be codified (in CUSC).
WACM7	Introduces a Pause for market self-regulation before NESO/TOs begin the Gated Design Process; obligates NESO to, following completion of Gate 2 evidence assessment, compile and publish a Gate 2 Register with connection point, completion date, installed capacity and technology type of each project that has met the Gate 2 Criteria; Pause can be used by applicants to review published information in the Register and consider whether to update their decision making (self-regulate) for their project in light of this.

CMP434 - Workgroup views

2.5 The Workgroup concluded by majority that the Original Proposal and all WACMs better facilitated the ACOs than the existing arrangements (baseline).[32] However, there were mixed views on which option best facilitated the ACOs.

CMP434 - CUSC Panel[33] recommendation

2.6 At the CUSC Panel meeting on 20 December 2024, the Panel unanimously recommended that CMP434's Original Proposal, WACM3, WACM4, and WACM6 better facilitated the ACOs than the baseline. They also agreed by majority that all other solutions better facilitated the ACOs than the baseline.

[32] CMP434 FMR, page 45/46 of Annex 11 – CMP Alternative and Workgroup Vote.
[33] The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.

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2.7 The Panel did not reach an overall majority consensus as to the 'best' overall option. Three (of eight) Panel members thought WACM6 was the best option, while the Original Proposal, WACM1, WACM2 and WACM7 all received one vote, and one Panel member expressed no preference. The Panel generally considered that the options which they believed better facilitated the ACOs overall, better facilitated ACOs (a), (b), and (d), with (c) being viewed neutrally. We discuss our own assessment against the ACOs below, and present further detail of the Panel's assessment.

Our minded-to decision on *CMP434: Implementing Connections Reform*

2.8 We have considered the issues raised by the modification proposal and the FMR dated 20 December 2024. We have considered and taken into account the responses to the industry consultations on the modification proposal which are attached to the FMR.[34] We have also considered and taken into account the votes of the Workgroup and Panel on CMP434.[35]

2.9 We are minded to conclude that:

- All proposed solutions better facilitate the achievement of ACOs (a), (b), and (d) than the baseline, and all have a neutral impact on ACO (c). Overall, implementation of WACM7 would best facilitate the achievement of the relevant ACOs;[36] and
- directing that WACM7 be approved would be consistent with our principal objective and statutory duties.[37]

2.10 We set out below our assessment against each of the relevant ACOs.

[34] CUSC modification proposals, modification reports and representations can be viewed on NESO's website at: https://www.neso.energy/industry-information/codes/connection-and-use-system-code-cusc/cusc-modifications
[35] In carrying out this exercise of considering all issues raised, in this document, we have not individually addressed each of the issues raised, we have however considered all issues raised.
[36] As set out in Standard Condition E2 of the Electricity System Operator Licence.
[37] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

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Reasons for our minded-to decision on CMP434

Original Proposal – *(a) The efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence*[38]

Workgroup and Panel view

2.11 The majority of workgroup members believed the Original Proposal better facilitated the achievement of ACO (a) with 34 positive votes out of 39.

2.12 The majority of workgroup and Panel members held the view that the introduction of a gated process and a batched network design will facilitate the design of a more coordinated system. The batched process was expected to lead to more efficient administration and allocation of capacity and to more reliable signals for future investment – meaning transmission projects can be delivered more efficiently.

2.13 Some workgroup and Panel members were in favour of Authority-approved Methodologies as this concept will allow NESO to make efficient decisions. Another workgroup view was that Methodologies should be continually refined with system need. In terms of the bi-annual application window, workgroup and Panel members views were mainly positive.

[38] We note that ACO(a) refers to "*obligations imposed upon [the licensee] by the Electricity Act 1989 and by this licence.*" Previously, NESO held a transmission licence under s6(b) EA89; as such, the EA89 imposed certain general obligations on it via s9(2). Now, NESO holds an Electricity System Operator Licence under s6(da). NESO, as the designated ISOP, has a set of "general duties" under s163 of the EA23, which it must meet pursuant also to its licence obligations: A2.20; C1.2(d); E12.7. Further, general obligations on NESO can be found in Condition C1 of the NESO Licence including in C1 regarding whole systems: see Parts, A, D and E. These include obligations that are substantively similar to those contained in s.9 EA89. We therefore consider it appropriate to assess CMPs 434 & 435, in respect of ACO(a), through the lens of the obligations on NESO contained in both s163 and Condition C1. It is expected that ACO(a) will be updated in early course to make specific reference to the EA23 rather than the EA89, albeit the former comes into play in any event through the general provision of Condition A2.20. Finally, we note that in the FMRs, the proposals appear to have been analysed by reference to the language of s9 EA89 and NESO's former transmission licence. Given the similarities between these obligations and those now falling specifically on NESO, we did not consider it necessary to send back the proposals on this basis. We drew attention to this in this letter, and did not receive any responses raising concerns about this approach.

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2.14 WACM1, which changes the definition of embedded schemes, received support from workgroup and Panel members on ACO (a).[39] This positive impact was mainly seen by workgroup and Panel members in the increased transparency and consistency and clarification of the applicability of the scheme to embedded sites. Furthermore, the view was expressed by a Panel member that WACM 1 will clarify the definition of relevant embedded generators for Transmission Impact Assessment ('TIA'). Also, workgroup members thought that WACM1 was positive as regards better facilitating the achievement of ACO (a) as it may promote the aggregated processing of connection applications. On the contrary, the view was expressed during the workgroup stage that it would be challenging to provide satisfactory legal text to facilitate this change in the CUSC.

2.15 WACM2, which introduces requirements for applications on DNOs and iDNOs under Gate 2, received support of workgroup and Panel members in relation to ACO (a).[40] Workgroup members also expressed the view that WACM2 would not align with the timescales that DNOs have to adhere to as part of the Original Proposal. Also, a Panel member thought that the CUSC was not the right place for these obligations, and they should rather be added to the DCUSA or Distribution Licences.

2.16 WACM3, which introduces a capacity reallocation mechanism which allows terminated capacity to be transferred to a project which has reached Gate 2 criteria, was supported by some workgroup and Panel members.[41] However, there was criticism as workgroup members were of the view that it could undermine future strategic network planning. A Panel member was of the opinion that WACM3, in introducing significant complexity could place restrictions on NESO and therefore result in a less efficient process. Furthermore, a Panel member thought that WACM3 would not better facilitate the achievement of ACO (a) as it could constrain the Methodologies and cause misalignment with broader objectives.

[39] WACM1 received: 24 positive, 8 negative and 7 neutral votes against ACO (a).
[40] WACM2 received 28 positive, 5 negative and 6 neutral votes against ACO (a).
[41] WACM3 received 27 positive, 5 neutral and 7 negative votes against ACO (a).

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2.17 WACM4 which codifies restrictions on changes to project site location – ORLB post Gate 2 was seen by many workgroup and Panel members as positive.[42] The majority of workgroup and Panel members were of the view that WACM4 better facilitated the achievement of ACO (a) as it promoted more efficiency in the assessment of applications. On the contrary, some workgroup members were of the view that this requirement risked limiting the flexibility which will be introduced by Methodologies. In addition, the ORLB was seen by a workgroup member as powerful tool to remove stalled projects from the queue.

2.18 WACM5 which removes project designation from the Original Proposal was seen in a mixed view by workgroup and Panel members as regards better facilitating the achievement of ACO (a).[43] The proposal was supported by some as it would ensure fairness and transparency. Other workgroup and Panel members thought that project designation was a vital part of the process mainly required for the development of an efficient, economic and coordinated system to meet net zero. Furthermore, the view was expressed by a workgroup member that the CP2030 Action Plan had superseded WACM5 and the retention of project designation was vital to ensure its targets were met.

2.19 WACM6 which obligates NESO to undertake a review of the Methodologies before reporting back to the Panel to allow stakeholders to assess whether a code modification is required to codify the Methodologies and Guidance documents, received mixed views by workgroup and Panel members as regards better facilitating the achievement of ACO (a).[44] Some workgroup and Panel members thought that codification will allow for more scrutiny and would therefore better facilitate the achievement of ACO (a) whilst others held the view that this obligation should sit outside the CUSC, possibly in licences.

[42] WACM4 received the following votes: Positive - 25, neutral - 6, negative – 8.
[43] WACM5 received the following votes: 21 positive, 9 negative and 8 neutral.
[44] WACM6 received the following votes: 30 positive, 3 neutral and 6 negative.

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2.20 WACM7 which introduces a pause for market self-regulation before network assessment also received mixed views from workgroup and Panel members as regards better facilitating the achievement of ACO (a).[45] The main argument expressed by workgroup and Panel members in favour of WACM7 was that it would increase transparency and allow Users to make more informed investment decisions. Furthermore, it was seen as positive that the pause and reassessment could lead to less projects needing to be assessed by NESO which could make the process more efficient.

Our view

2.21 Summary of our view on ACO (a): *The efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence*

Overview

This section sets out our views on the Original Proposal and WACMs 1-7 against ACO (a). Overall, we are of the view that the Original Proposal would better facilitate ACO (a) than the status quo. It would apply the Primary Process to new connection applications, allowing NESO to take a holistic view and plan the network in a more efficient manner by focusing on those projects that are ready and needed. The Methodologies would give NESO more autonomy to take a centralised approach to the connections process and so provide more efficient updates. Elements 1, 2, 5, 9, 10, 11, 13, 15, 16 and 18 would better facilitate ACO (a) than the status quo. Elements 3 and 4 would have a neutral effect on ACO (a).

WACM7 in our view would better facilitate ACO (a) than the Original and all other WACMs. This is due to the fact that in addition to the benefits outlined regarding the Original Proposal, WACM7 (by introducing a Pause) would lead to increased transparency for stakeholders and allow NESO to discharge its licence obligations more efficiently.

In terms of WACM1, WACM3, WACM4, WACM5 and WACM6: we do not believe they would better facilitate ACO (a) than the Original Proposal.

WACM2 and WACM7 are considered to better facilitate ACO (a) than the Original Proposal.

[45] WACM7 received the following votes: Positive - 29, neutral - 5, negative - 5.

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Element 1: Proposed Authority approved Methodologies and NESO Guidance

2.22 On Element 1, we consider the adoption of Methodologies would grant NESO a greater degree of autonomy than the baseline, which would allow NESO to take a more holistic and centralised approach to the development and maintenance of the Methodologies, and as a consequence, the connections process. It is considered Element 1 is therefore advantageous in that it is the most effective means of ensuring NESO is equipped to make the decisions it needs to make in order to meet the CP2030 Action Plan, which can in turn also benefit its obligation to promote an efficient, coordinated and economical system as NESO having autonomy over the Methodologies may be more likely to secure a more coordinated outcome than would be the case under the status quo.[46]

2.23 This new governance arrangement would provide more autonomy to NESO (sole author of the Methodologies) whilst maintaining a voice for industry and Authority oversight. It also can allow for industry scrutiny via open consultation on the Methodologies, and the Authority will maintain ultimate approval rights. We consider that the Methodologies being contained outside the codes would be appropriate, given NESO's role and responsibilities with regard to ACO (a). Given the contents of the Methodology documents, it is right that the Methodologies themselves are solely authored by NESO, so that it may make the right decisions for the connections process as and when needed.

2.24 In addition, an annual review of the Methodologies can increase the likelihood of regular foreseeable improvements in the connections process and consequential benefit for the transmission system – which may aid NESO in fulfilling its obligations more efficiently than under the status quo (which does not have such a comparative regular review process). The Methodologies would therefore better facilitate achievement of ACO (a) than the status quo since NESO will be able to more efficiently and

[46] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, on page 87.

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economically fulfil its obligations to promote an efficient, co-ordinated and economical transmission system.[47]

2.25 Further, the adoption of Methodologies would be a means of securing more efficient updates to the connections process in future, such that connections customers and consumers ultimately see the benefits more efficiently. This would equally benefit NESO in carrying out its obligation to promote an efficient, coordinated and economical system, since the new, robust governance framework proposed to be put in place (with NESO as the sole author of the Methodologies), would be simpler to navigate than the existing code modification governance process. This would likely mean the maintenance of the Methodologies (and in turn NESO's obligations) would be easier and more efficient for NESO to carry out than would be the case under the status quo. We therefore believe a Methodologies governance process that sits outside the codes is most suitable for the connections process, as set out in our September open letter.[48]

2.26 The existing code governance process normally requires regular workgroups, two sets of consultations, and is usually set across many months/over a year from beginning to the Authority being presented with a FMR for decision. In contrast, assigning NESO as sole author of the Methodologies would ensure the drafting process is more efficient and so to make changes to improve the process, for example to reflect developments in strategic plans or to ensure that the connections regime enable sufficient competition, it is anticipated it would be quicker to implement an updated solution via the Methodologies than would be the case through using a code modification to do so. This would in turn benefit NESO in developing and maintaining an efficient, co-ordinated and economical system since the Methodologies would reduce as far as possible the delay between a change to the connections process being identified as needed, and that change being implemented.

2.27 Overall, we consider Element 1 would better facilitate the achievement of ACO (a) than the status quo.

[47] Open letter on the reformed regulatory framework on connections | Ofgem.
[48] Open letter on the reformed regulatory framework on connections | Ofgem.

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Element 2: Introducing a bi-annual application window and two formal gates, which are known as Gate 1 and Gate 2 (ie the Primary Process)

2.28 On Element 2, we agree with the majority of workgroup members that the introduction of a gated process and a batched network design would facilitate a more coordinated system. We consider the introduction of a bi-annual application window is likely to better facilitate achievement of ACO (a) than the status quo since it enables NESO/TOs to take all applications received in a window in batches, and sort the queue position and connection dates accordingly. This can ensure that new network build is more coordinated and better planned, therefore ultimately delivered more cost-efficiently.[49] It is therefore likely this would result in a more coordinated, economic and efficient transmission system overall, since all requested dates could be reviewed holistically which would be more likely to lead to a more optimised queue allocation process (for the benefit of TOs, DNOs/iDNOs and customers) therefore better facilitating the achievement of ACO (a) than the status quo.[50] The move away from a *first-come, first served* approach to connection applications and capacity allocation would be a positive in this regard.

2.29 Introduction of the two formal gates (gate 1 & 2) and application windows would be likely to better facilitate achievement of ACO (a) since the promotion of an efficient, co-ordinated and economical system should be easier to achieve. This is due to the predictable application demand curve that would be seen following implementation: NESO and TOs would have a better idea of the levels of resource required – and what their primary focus should be – during and after closure of an application window. This could allow NESO, DNOs/iDNOs and TOs to have a more predictable workload at pre-defined stages per year, which will enable them to better plan their resources accordingly such that they can fulfil their obligations more efficiently. Under the status

[49] Further evidenced in Ofgem, *TMO4+ Impact Assessment*, February 2025, at page 69: "*Overall, we believe that TMO4+ is likely to deliver beneficial impacts to network planning and build, enabling the network companies to design the network in the most economic and efficient manner to achieve CP2030*."
[50] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, at page 55, the current lack of clarity on which projects will connect and when limits abilities of TOs to plan and build enabling works in an efficient manner, and slows down network investment.

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quo, this predictability and ability to plan for flurries of new connection applications does not exist, as anyone can apply at any time throughout the year.

2.30 This being said, the fact that Gate 1 is optional could pose a risk to the overall benefit that Gate 1 aims to offer. It is unclear how much certainty it could provide to the TOs or NESO in forecasting the network design or what benefit this could provide to consumers. Given the indicative dates associated with connection dates could be within a large range of several years, these are unlikely to offer certainty to developers either. The exception to this is for any projects which receive Reservation, covered later under Element 10.

2.31 Overall, we consider Element 2 would better facilitate the achievement of ACO (a) than the status quo.

Element 3: Clarifying which projects go through the Primary Process

2.32 On Element 3, we do not consider that this has direct implications for better facilitating the achievement of ACO (a) as against the status quo. We consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 3, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (a) as against the status quo.

Element 4: Significant Modification Applications

2.33 On Element 4, we do not consider that this has direct implications on better facilitating the achievement of ACO (a) as against the status quo. For similar reasons as Element 3, we consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 4, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (a) as against the status quo.

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Element 5: Clarifying any Primary Process differences for customer groups

2.34 On Element 5, we consider this would better facilitate the achievement ACO (a) than the status quo.

2.35 The addition of the Letter of Acknowledgement (as an offshore equivalent to the Letter of Authority required for onshore customers following CMP427[51]) would be a positive addition which renders Element 5 slightly better at facilitating the achievement of ACO (a) as against the status quo. This is the case as presently offshore projects are not required to submit a Letter of Authority. Requiring offshore projects seeking a Gate 1 agreement to have a Letter of Acknowledgement would raise the entry requirements on offshore projects to bring these more in line with onshore projects seeking Gate 1 offers. This will allow NESO to better promote an efficient, coordinated and economical transmission system as higher entry requirements for offshore customers can lead to fewer speculative applications being made.[52] It is important that Gate 1 agreements are provided to genuine projects, so that the inputs into wider network planning done by NESO and the TOs can be as reliable as possible.

2.36 Aside from the Letter of Acknowledgement addition for offshore customers, the nuances of how the Primary Process differs for some connection customers would not otherwise have a material impact on NESO's ability to promote an efficient, coordinated and economical transmission system. The Reservation power will have implications for how certain Gate 1 projects are treated, which will impact on ACO (a), however this is dealt with further below under Element 10: Connection Point and Capacity Reservation.

Element 9: Project Designation

2.37 On Element 9, the Project Designation Methodology ('PDM') has been separately assessed by the Authority in our *Minded-to Decision: Project Designation Methodology*.

[51] CMP427: update to the transmission connection application process for onshore applicants | Ofgem.
[52] As referenced in Ofgem, *TMO4+ Impact Assessment*, February 2025, at page 47.

2.38 This being said, there are links and references in the CMP434 legal text to the PDM, and the concept of introducing this Methodology is included within CMP434. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 9 would better facilitate achievement of ACO (a). This is because the concept of a PDM would create a tool which NESO can utilise to better promote an efficient, coordinated and economical system. Equipping NESO with additional levers to best tailor the connections queue to optimise it based on set criteria would be expected to allow NESO to fulfil its obligations more efficiently. We therefore consider the introduction of this Element and the references throughout the legal text of CMP434 to this Methodology would better facilitate achievement of ACO (a) than the status quo.

Element 10: Connection Point and Capacity Reservation

2.39 On Element 10, this Reservation power is intended to avoid cases where connection points and capacity are allocated to projects which have met the Gate 2 criteria, but that NESO would need for a specific purpose and consequently are now unable to use that capacity. It is understood that this Reservation power will be used to protect the integrity of the coordinated network design. This includes being utilised for Interconnectors and Offshore Hybrid Assets to avoid scenarios where these Users find themselves unable to meet the Gate 2 criteria until they have a confirmed connection site, yet equally cannot know their connection point until having met the Gate 2 Criteria (namely ahead of seabed leasing rounds).[53]

2.40 It is anticipated that this Element would be likely to have a net positive impact on better facilitating the achievement of ACO (a) as against the status quo. We consider this power would ensure NESO is equipped with the tools it needs to make the best choices available to it to promote an efficient, coordinated and economical transmission system. This Reservation power can ensure that NESO, in exercising its discretion on when to use the power, is making choices that are most likely to secure an efficient, coordinated and economical transmission system.

[53] This is covered further in our *Minded-to Decision: Connections Network Design Methodology*, in theme 4: *Approach to capacity reservation and reallocation*.

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2.41 That being said, we note the risk that this Reservation power, if over relied upon, could jeopardise some of the overall benefits of the CMP434 solution as a whole. This is the case if too much capacity is allocated to Gate 1 projects with Reservation, such that projects which are ready and needed (ie have met Gate 2 readiness criteria and strategic alignment criteria) may not secure the capacity they need (because it is reserved for a Gate 1 project). Further, we recognise the parameters around the use of the Reservation power provide NESO with a high degree of discretion as to where to exercise this power. This being said, we consider that the presence of the expiry date that will be applied to the Reservation of each Gate 1 Offer with Reservation will act as a suitable safeguard, alongside the annual review NESO will conduct with the project.[54]

2.42 We expect NESO to strike the right balance in using this Reservation power in order to ensure that whilst it remains a useful tool and an enabler to an efficient, coordinated and economical transmission system, it is used only where necessary to protect the integrity of the transmission system. It should be clearly linked to strategic plans, such as the CP2030 Action Plan, the Centralised Strategic Network Plan ('CSNP')[55] and any associated coordinated offshore plans. In the event the Reservation tool is overused or used where it ought not to be, this would detract from its ability to better facilitate the achievement of ACO (a).

Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved

2.43 On Element 11, we consider this can be divided into two components. The first, on setting out the criteria for demonstrating Gate 2 has been achieved, is contained within the Gate 2 Criteria Methodology document. This has been separately assessed in our Gate 2 Criteria Methodology minded-to decision.

[54] CMP434 Final Modification Report, page 17: *NESO will thereafter (if the project has not passed Gate 2 within those timescales) review this annually on a case-by-case basis*.
[55] Centralised Strategic Network Plan: Consultation on framework for identifying and assessing transmission investment options | Ofgem.

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2.44 This being said, there are links and references in the CMP434 legal text to the Gate 2 Criteria Methodology, and the concept of introducing this Methodology is included within CMP434. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 11 would better facilitate achievement of ACO (a) than the status quo. This is because the concept of a Gate 2 Criteria Methodology would allow NESO to set out the criteria to have a connections queue that is based on readiness, aligned with CP2030 Action plan and future strategic energy plans, and in accordance with PDM and CNDM. This would then give NESO, in pursuing achievement of ACO (a), the ability to optimise the connections process in line with what is needed to promote an efficient, coordinated and economical system.

2.45 The second component of Element 11, on setting out the obligations imposed on parties that have met the Gate 2 criteria (ongoing compliance requirements), are contained within the code modification legal text. As such, these obligations are assessed against the ACOs in this document. We consider the ongoing compliance requirements would better facilitate the achievement of ACO (a) than the status quo.

2.46 These measures include the requirement on developers to continue to demonstrate they have **land rights** (as per M3 in Queue Management)[56] following meeting the Gate 2 criteria as well as the additional land control requirements imposed on amending the project site location (ORLB provisions) and demonstrating sufficient acreage for the project at each queue management milestone. These measures would work to secure a robust queue following a project meeting the gate 2 criteria, by incentivising projects to 1) have secured land rights for the correct site in the first instance (ie rather than attempting to game the Gate 2 criteria by acquiring a plot of land which is not then used to develop the project) and 2) maintain those land rights.

2.47 We can be confident that this incentive would be realised, as where projects fail to comply with the ORLB requirement, NESO would have the right to remove or reduce the contractual right of projects to have the intended installed capacity where a portion

[56] CMP376: Inclusion of Queue Management process within the CUSC | National Energy System Operator.

of that project is built outside the ORLB (ie the ORLB as submitted by the project in its Gate 2 evidence submission) where this goes beyond the permitted tolerance. Further, where projects fail to maintain their land rights, this would put them in breach of their queue management milestones and would put them at risk of termination.[57] Therefore, we are confident Element 11 would be beneficial in driving the right behaviours from developers, encouraging projects to submit Gate 2 applications only when confident their project has achieved sufficient certainty to progress as indicated – which is likely to lead to a more economic, coordinated and efficient system which better facilitates achievement of ACO (a) than the status quo, as network build will be more efficiently focused on delivering a smaller, focused pipeline of projects. Further, we consider it appropriate that this Element contains scope for NESO discretion to waive the ORLB requirement in certain circumstances, in order to avoid unintended outcomes for connection customers.[58]

2.48 The second component of the ongoing compliance requirements pertains to the requirement to submit a completed **planning consent** application (milestone 1) after meeting the Gate 2 criteria. This would ensure that projects that meet Gate 2 are incentivised to actively progress through the project development life cycle to avoid risk of termination. This builds off of the queue management milestones which also aimed to ensure active project progression towards connection and to eliminate speculative or stalled projects from the queue. The ongoing compliance requirement for planning would go farther than the queue management process, by ensuring that developers have the earliest possible deadline to submit planning (whilst remaining feasible for all projects) following the meeting of Gate 2 criteria. This would be achieved through the deadline to meet milestone 1 either being forward-calculated from point of meeting the Gate 2 criteria (new addition from CMP434) or backwards-calculated from contracted completion date (relying on the queue management regime).

[57] Queue management milestones were inserted into existing and new connection agreements from 27 November 2023, following the Authority's decision on CMP376.
[58] CMP434 FMR, page 19, such as "*circumstances where a developer can suitably evidence, to NESO, that applying this threshold has a detrimental impact on normal project development and in circumstances which could not have reasonably been avoided*." We understand NESO will publish updated Queue Management guidance shortly, which will contain more information on the process NESO will use to exercise its discretion on the ORLB requirement.

2.49 This would enable NESO to promote an efficient, co-ordinated and economical system since any stalled, slow-to-progress or underperforming projects with regard to milestone 1 will have their connection agreement terminated in the event they fail to fulfil this ongoing compliance requirement.[59] Further, we expect this will help drive the right behaviours from developers and ensure the projects that meet gate 2 are those most likely to ultimately connect, therefore fostering a more efficient and coordinated transmission system. This will then allow NESO and network operators in the batched connection application processing to optimise available capacity accordingly, such that capacity is not being allocated for projects not performing in line with the ongoing compliance requirements. Therefore, we consider Element 11 will better facilitate achievement of ACO (a) than the status quo.

Element 13: Gate 2 Criteria Evidence Assessment

2.50 On Element 13, whilst a degree of the Gate 2 Criteria evidence assessment process is contained within the Gate 2 Criteria Methodology document (which we evaluate in our Gate 2 Criteria Methodology minded-to decision), components of this are featured in the CMP434 legal text. Specifically, the introduction of Readiness Declarations and subsequent duplication checks. We consider this Element is likely to better facilitate achievement of ACO (a) than the status quo.

2.51 We expect that the Readiness Declarations alone would likely have a neutral impact on better facilitating the achievement of ACO (a) against the status quo, since the self-declaration form and the ability for NESO/DNO/iDNOs to check the associated evidence is in some ways similar to the baseline: evidence is being assessed by actors in each case in order to secure a connection offer. Although the process around checking of the evidence is different to the baseline, the premise remains the same.

[59] Unless there is an 'Exceptional issue', meaning something outwith the User's control which may lead to User project delay and a User not being able to meet a User Progression Milestone. More information on when an Exceptional issue is engaged is set out at s16 of the CUSC.

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2.52 The duplication checks, on the other hand, would be expected to better facilitate achievement of ACO (a) than the status quo as it would obligate NESO to check all evidence of secured land rights to verify that no land already registered against a project (that has already met the Gate 2 Criteria) is being relied upon for another Gate 2 application. The requirement to adhere to the ORLB would further benefit this, since Users would be limited to the degree in which the land they have acquired for the project would be allowed to differ beyond what was specified in the ORLB contained in their Gate 2 evidence submission. Where duplications are identified (by checking the ORLB of the submitted evidence), enquiries would be made by NESO and the applicant could be deemed not to have met the Gate 2 criteria. This would aid NESO in the promotion of an efficient, coordinated and economical transmission system as it could prevent gaming of the Gate 2 criteria through ensuring NESO has oversight of all Gate 2 evidence submitted and that the highest possible standard for connection applications is set.

Element 15: Changing the offer and acceptance timescales to align with the Primary Process timescales (eg a move away from three months for making licensed offers)

2.53 On Element 15, the amendment of offer and acceptance timescales to set these in line with the Primary Process is addressed in the Authority's statutory consultation on licence changes. As a result, this Element is predominantly assessed in the Authority's policy consultation and subsequent statutory consultation.

2.54 Generally, however, we consider the move away from three months for making licensed offers to be necessary to achieve the benefits set out above under Element 2. In order for NESO and TOs to assess the applications in batches holistically and process these accordingly, an amendment to the offer and acceptance timescales would be required. Without Element 15, it is unlikely Element 2 would be able to better facilitate the achievement of ACO (a) than the status quo, that has been explained above. To this extent, Element 15 is therefore also anticipated to add to this better facilitation as it will help NESO in the promotion of an efficient, coordinated and economical transmission system.

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Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)

2.55 On Element 16, the CNDM has been separately assessed by the Authority in our *Minded-to Decision: Connections Network Design Methodology*.

2.56 This being said, there are links and references in the CMP434 legal text to the CNDM, and the concept of introducing this Methodology is included within CMP434. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 16 would better facilitate achievement of ACO (a) than the status quo. This is because the concept of a CNDM creates a transparent framework and process which NESO and TOs will follow to promote an efficient, coordinated and economical system.

Element 18: Set out the process for how DNOs and transmission connected iDNOs notify NESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet Gate 2 criteria

2.57 On Element 18, this introduces an obligation on DNOs/iDNOs to submit connection application information to NESO within set timescales. We anticipate that this would better facilitate achievement of ACO (a) than the status quo as the introduction of clear deadlines on DNOs/iDNOs to provide the relevant information to NESO will better enable NESO to promote an efficient, coordinated and economical transmission system as it should reduce the prevalence of cases whereby DNOs/iDNOs do not submit this information to NESO in a timely manner.

2.58 Under the status quo, connection customers have reported instances to us where DNOs/iDNOs have taken up to two years to submit Project Progression information to NESO. This has resulted in direct delays to connection customers receiving a connection offer, and may impact on the eventual connection date they are provided with. We are keen to see this risk eliminated and are therefore confident Element 18 would better facilitate achievement of ACO (a) than the status quo in this regard.

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Reducing such occurrences would put NESO in a better position when carrying out the batched processing of applications and taking a holistic approach to system coordination. It would give greater certainty to NESO/TOs in carrying out the Gated Design Process, and confidence that they are creating offers and designing the network in accordance with the best available information on connection customers. Therefore, Element 18 would have a positive impact on ACO (a) as it would better facilitate the promotion of an efficient, co-ordinated and economical system for the distribution and transmission of electricity as NESO would be more likely to have received all connection application submission information from DNOs/iDNOs in the time parameters expected.

WACM1: Clarification of Embedded Definition

2.59 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it defines Embedded Power Stations differently. It is considered that this WACM would not better facilitate the achievement of ACO (a) than the Original Proposal. This is due to an error in section 11 of the legal text of WACM1, which could result in unclear outcomes for a selection of customers. Therefore, we disagree with workgroup views that WACM1 would increase transparency and clarity regarding embedded sites.

2.60 The legal text sees projects at the 100MW capacity mark in England & Wales captured across both the Category 1 and Category 2 Embedded Power Station definitions. This WACM, if approved, could lead to confusion and disputes between network companies, developers and NESO on how to classify the relevant projects, since 100MW projects could be deemed as either Category 1 or Category 2. This could therefore inhibit NESO in its ability to promote an efficient, coordinated and economical transmission system, as disputes between these actors may prevent NESO and TOs from being able to include the affected projects in the relevant Gated Design Process, with detriment to the system and the connection customer. As a result, WACM1 is deemed not to better facilitate achievement of ACO (a) than the Original Proposal.

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2.61 This being said, in the event this legal text defect did not exist, we do not consider WACM1 is any better (or worse) than the Original Proposal as regards better facilitating the achievement of ACO (a). We do not consider the changes it enacts to the Embedded definitions necessary, therefore in the absence of the legal text issues this would still not be preferred or selected for approval over the Original Proposal.

2.62 Further, we are aware of a live grid code modification (GC0117) which proposes to harmonise thresholds across regions for the definitions of small and large embedded generators (whilst removing the definition of medium). We acknowledge there is crossover between the intention of WACM1 and GC0117. The Authority will shortly be issuing a minded-to position on this Grid Code modification.

WACM2: DNO Submission Requirement

2.63 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places firmer obligations on DNOs/iDNOs with regard to timing of submission of information to NESO.[60] It is considered that this WACM could better facilitate achievement of ACO (a) than the Original Proposal and status quo.

2.64 It is foreseeable that WACM2 could better facilitate achievement of ACO (a) than the Original Proposal and status quo, since the DNOs/iDNOs are given a firmer requirement to abide by the timescales set out in the gated application and offer process – as opposed to a requirement to use "reasonable endeavours" to do so. This would reduce the scope for variability (ie it increases the likelihood that NESO receives the required information on time and in accordance with the gated process) and therefore means NESO, in carrying out the batched processing of applications could optimise the queue more effectively, knowing that they would be more likely to have all applications included in their holistic assessment. This would put it in a better position to promote the most efficient, coordinated and economical transmission system. It is therefore

[60] To note, and in response to some workgroup views on WACM2: the Authority is minded to implement licence changes which place obligations on DNOs/iDNOs with regard to information submission requirements to NESO. More detail on these proposed licence changes can be found in Ofgem's Ofgem, *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*, February 2025 at page 54.

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expected that WACM2 would better facilitate achievement of ACO (a) than the Original Proposal and the status quo.

WACM3: Capacity Reallocation Codification

2.65 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it restricts what NESO is able to do with freed up capacity following termination. It is anticipated that WACM3 would not better facilitate the achievement of ACO (a) than the Original Proposal, although it would better facilitate the achievement of ACO (a) than the status quo. We agree with some workgroup responses that WACM3 could misalign with NESO's broader objectives (eg its role in developing and maintaining an efficient, coordinated and economical system) and result in a less efficient process.

2.66 This WACM would limit the manoeuvrability of NESO, by limiting what it is able to utilise freed up capacity for, following termination. This would limit the cases in which NESO can utilise its Project Designation and Reservation powers (described in Elements 9 and 10 above) which would have a knock-on impact on the ability of those Elements to operate as intended or have as positive an impact as described in the Original Proposal. Consequently, WACM3 would hinder NESO's ability to promote an efficient, co-ordinated and economical system. This may restrict NESO's ability to design the most optimal queue and provide the most efficient energy system.

WACM4: Codifying restrictions on changes to project site location – "Red Line Boundary" – post-Gate 2

2.67 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it limits the ability of NESO to waive or amend the ORLB provisions. It is anticipated that WACM4 would not better facilitate achievement of ACO (a) than the Original Proposal. We agree with some workgroup views that WACM4 risks limiting the flexibility that the Methodologies introduce, which would detract from ACO (a).

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Further, we do not share some stakeholder views that WACM4 would promote greater efficiency in the assessment of applications.

2.68 WACM4 removes some of the manoeuvrability NESO has in seeking to carry out its obligations. It could be the case that in some instances, the ORLB requirement ought to be waived (to avoid inadvertent outcomes or unfair outcomes for connection customers). WACM4 would remove the ability for that to occur, which could therefore lead to Users suffering detriment for matters which may be beyond their control. This could somewhat impede NESO's ability to promote an efficient, coordinated and economical transmission system, in the event that it had no choice but to reduce the TEC of projects which ought to connect at full intended installed capacity. This could also have a knock-on impact on meeting the Clean Power 2030 Action Plan in the event that TEC of projects ready and needed for 2030 had their installed capacity reduced. On the other hand, the Original Proposal gives a small degree of flexibility which may be essential to aid NESO to meet its obligations.

2.69 Further, we consider it essential that NESO is able to adapt the ORLB provisions if this is deemed necessary in future (eg if it became apparent that the initial 50% threshold ought to be changed).[61] WACM4 makes any subsequent changes to the ORLB provisions more difficult to implement than would be the case under the Original Proposal, as it codifies the ORLB provisions (rather than containing them in guidance). We therefore consider this feature of WACM4 would not better facilitate the achievement of ACO (a) than the Original Proposal.

2.70 As a result, WACM4 would not be expected to better facilitate achievement of ACO (a) than the Original Proposal.

WACM5: Remove Project Designation

[61] As set out at CUSC s16.4.9.3.4, the specific process around NESO relaxing from the 50% requirement will be set out in the updated Queue Management guidance – which we expect NESO will publish as soon as possible and in any case prior to implementation of this code modification.

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2.71 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it removes references in the legal text to the PDM. This would result in NESO not having the Project Designation power. It is considered that WACM5 would not better facilitate achievement of ACO (a) than the Original Proposal; however, it will better facilitate achievement of ACO (a) than the status quo.

2.72 WACM5 removing the PDM and power from NESO would restrict the tools NESO has available to it to promote an efficient, coordinated and economical system. The removal of this could restrict NESO's decision making choices available to it in taking a holistic approach to designing the network, which could prevent optimal decision making to the detriment of developers, the ability to meet CP2030, and ultimately consumers. We therefore agree with stakeholder views that the PDM can aid in the development of an efficient, economic and coordinated system to meet net zero; to this end, WACM5 would prevent this benefit of the Methodology from being realised.

2.73 Further, the PDM was stated in the Government's Clean Power 2030 Action Plan as the expected way to bring forward unabated gas generation to ensure security of supply in the 2031-2035 period. Whilst the merits and benefits of specific elements of the Methodology are assessed separately in the Authority's PDM minded-to decision, the removal of this would impede NESO's ability to efficiently discharge its obligations when compared to the Original Proposal, since the inclusion of the PDM in the Original Proposal is expected to have a positive impact on ACO (a) when compared to the status quo. WACM5 would reduce some of the positive elements that Element 1 has (described above at Element 1) on better facilitating the achievement of ACO (a). Consequently, we consider that WACM5 does not better facilitate achievement of ACO (a) than the Original Proposal.

WACM6: Obligation to carry out a review and publish a report on the Methodologies and Guidance documents under Connection Reform

2.74 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places an obligation on NESO to carry out a review and publish a

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report on the Methodologies' performance, and could lead to eventual codification of the Methodologies. It is considered that WACM6 does not better facilitate achievement of ACO (a) over the Original Proposal.

2.75 WACM6 could be seen to be comparable to the Original Proposal on ACO (a) as regards better facilitating the achievement of this ACO, since the content of the connections process could be the same whether housed in Methodologies or the codes. However, on balance, in the event WACM6 did lead to the eventual codification of the Methodologies this would mean NESO does not have sole authorship over the Methodologies. We have set out at Element 1 above the reasons why we believe it is important that NESO retains sole authorship of the Methodologies. Also, in the event anything became unfit for purpose and required urgent amendment, this would likely be more difficult and slow to achieve than would be the case under the Original Proposal (for the reasons set out above at Element 1). This could restrict NESO's ability (and efficiency) to promote an efficient, coordinated and economical transmission system. Further, as pointed out in some stakeholder responses, we do not consider this WACM (ie imposing an obligation in the CUSC) to be the correct route for NESO to review the effectiveness of the Methodologies. It is proposed that NESO will do this annually, through the new proposed licence obligations imposed upon it contained in our statutory consultation.[62]

2.76 WACM6 offers no perceivable benefit in better facilitating the achievement of ACO (a) than the Original Proposal, and further, to approve it would be at odds with our minded-to decision that the Original Proposal better facilitates achievement of ACO (a) than the status quo. For example, Element 1 of CMP434 which introduces the concept of the Methodologies – which we support and view as better facilitating the achievement of ACOs (a) and (d) than the status quo – could be somewhat undermined by approval of WACM6 as the relative ease and speed of manoeuvre to change Methodologies which are not codified is more likely to be lost under this WACM. On this basis, we consider WACM6 does not better facilitate achievement of ACO (a) than the Original Proposal as it could lead to the codification of the Methodologies in future.

[62] Ofgem, *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*, February 2025.

WACM7: Introduction of a Pause for market self-regulation before NESO/the Transmission Operators (TOs) undertake the network assessment

2.77 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it introduces a Pause for applicants to review information about the status of other projects published by NESO in a Gate 2 Register. It is considered that WACM7 will better facilitate achievement of ACO (a) than both the Original Proposal and status quo.

2.78 WACM7's publication of a Gate 2 Register containing information on applicant connection point, completion dates, installed capacity and technology types is expected to deliver benefits to new connection applicants. We agree with some stakeholder views that WACM7 would increase transparency and allow Users to make more informed investment decisions. Giving new applicants awareness of this information on other projects that have met the Gate 2 criteria gives applicants the best available information to review, and the Pause grants them the opportunity to reflect on their project's prospects in light of the published information about the status of other projects. It is expected to increase the likelihood that the most ready and needed projects will be given offers for where and when they ought to be, thus increasing the likelihood of those Users connecting as planned (and decreasing attrition), due to the opportunity the publication of the Gate 2 Register provides applicants with to decide whether they ought to withdraw.

2.79 This could be beneficial to NESO in meeting its obligation to promote an efficient, coordinated and economical transmission system since it will give NESO and TOs confidence that after the Pause has occurred, the Gated Design work carried out thereafter will be optimised based on Users making decisions on the best available information. For example, developer A may review the Gate 2 Register and see that, developer B which is the same technology and similar location, has also met the Gate 2 criteria. This could prompt developer A to withdraw their Gate 2 application if developer A knew that developer B's inclusion in the same batch as them would likely put

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developer A behind developer B in terms of queue position. Developer A's withdrawal during the Pause would lead to a more robust and efficient network design, and a more optimised connections queue and transmission system overall.

2.80 The provision of information around the number of Gate 2 projects in each location and the possibility for applicants to withdraw their application should encourage projects developers that have put forward a speculative (or less likely to connect in the long run) application or multiple applications in different locations, to withdraw their application(s) to focus on the most promising projects that have the strongest chances of success based on market conditions, competitors and technology quotas.

2.81 We recognise that the benefit in impact of WACM7 is dependent on User behaviour in response to the publication of the Gate 2 Register. As such, whilst the outcome is not certain we consider it is better to instil the Pause and provide an opportunity for Users to benefit from the transparency of information on other projects, as to do this creates the possibility of Users benefitting from this information. Should any Users take a different course of action in response to the Gate 2 Register, we consider this would better facilitate achievement of ACO (a) than the Original Proposal.

2.82 On balance, we therefore consider WACM7 is likely to better facilitate achievement of ACO (a) than the Original Proposal, status quo and all others WACMs.

Original Proposal - *(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity*

Workgroup and Panel view

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2.83 The Original Proposal was considered to better facilitate the achievement of ACO (b) by most workgroup and Panel members.[63] The main views expressed by workgroup and Panel members were that CMP434 contributes to facilitating effective competition through the introduction of the gated process. Furthermore, workgroup members thought that the gated process changes will improve competitiveness of generation and supply of electricity. A concern which was expressed by a workgroup member was that the Original Proposal fails to address issues at the transmission-distribution interface that could lead to a disadvantage for embedded generation compared to directly connecting projects. Another concern expressed by a workgroup member was that the Original Proposal could be detrimental to the delivery of nationally significant infrastructure projects. Another respondent to the CAC claimed that the Queue Management M1 Milestone being able to be forward-calculated from Gate 2 (as opposed to backwards from contracted completion date) would not be feasible for some projects.

2.84 WACM1 was mainly seen by workgroup and Panel members to better facilitate the achievement of ACO (b).[64] The majority thought that WACM1 better facilitates ACO (b) as it enables different generation schemes to connect to the network quicker which helps facilitate competition in the electricity market driving down costs for the end consumer whilst decarbonising the electricity system. Some workgroup and Panel members expressed the view that WACM1 would not better facilitate the achievement of ACO (b), the reason being that there were challenges faced by the workgroup in attempting to provide satisfactory legal text to facilitate this change.

2.85 WACM2 was considered by the majority of workgroup and Panel members to better facilitate the achievement of ACO (b).[65] The main view was that WACM2 ensures better competition between embedded Users and transmission connected Users. In addition, a workgroup member thought that WACM2 better facilitates the achievement of ACO (b) by mitigating the risks small and medium embedded generation face in having to rely

[63] With 34 positive, 2 neutral and 3 negative votes.
[64] WACM1 received 23 positive, 9 negative and 7 neutral votes against ACO (b).
[65] WACM2 received 26 positive, 8 negative and 5 neutral votes against ACO (b).

on DNO or iDNO to submit gate 2 evidence on time. Another workgroup member thought that WACM2 imposes disproportionate obligations on DNOs.

2.86 WACM3 was mainly seen by workgroup and Panel members to better facilitate the achievement of ACO (b).[66] The main view expressed by workgroup and Panel members was that codifying the process will demonstrate transparency, improving competition.

2.87 WACM4 was mainly seen by workgroup and Panel members to facilitate ACO (b) in a positive way.[67] The positive impact was mainly seen by workgroup and Panel members in providing clarity and detail to the outcomes of the red line boundary constraints. This was seen as ensuring an equal treatment of all Users. Panel and workgroup member expressed the view that codifying this process will demonstrate fairness and transparency for all Users, which will facilitate competition and reassure investors that all viable projects are given fair and equal opportunity to progress to connection.

2.88 WACM5 received mixed views against ACO (b).[68] One main concern expressed by workgroup and Panel members was that the removal of project designation could significantly undermine the future strategic network planning. Furthermore, the view was expressed by a workgroup member that WACM5 means project designation is transparent and equitable for all parties.

2.89 WACM6 received mixed views from workgroup and Panel members regarding its impact on ACO (b).[69] This is due to the fact that it provides more certainty to investors and developers. On the other hand, concern was raised in response to the CAC that codification could pose a risk to the timely implementation.

2.90 WACM7 received mixed views from workgroup and Panel members against ACO (b).[70] Whilst some workgroup and Panel members thought that WACM7 ensures transparency

[66] WACM3 received 31 positive, 3 negative and 5 neutral votes against ACO (b).
[67] WACM4 received 28 positive, 7 negative and 4 neutral votes against ACO (b).
[68] WACM5 received 22 positive, 9 negative and 7 neutral votes against ACO (b).
[69] WACM6 received 27 positive, 7 negative and 5 neutral votes against ACO (b).
[70] WACM7 received 30 positive, 3 negative and 6 neutral votes against ACO (b).

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which leads to a more informed decision making of market participants and hence more competition, others were of the view that the above-mentioned benefit was outweighed by unnecessary complexity and an extended timeline compared to the Original Proposal.

Our view

Summary of our view on ACO (b): *facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity*

Overview

Overall, we are of the view that the Original Proposal would overall have a more positive impact against ACO (b) compared to the status quo. It would introduce a gated approach to the connection process – beneficial for competition as this would see capacity allocated to the most viable and competitive projects. This would be an improvement on the status quo.

Based on our assessment below, we believe Elements 1, 11 and 18 of the Original Proposal would better facilitate ACO (b) and Elements 2, 3, 4, 5, 9, 10, 15 and 16 would have a neutral effect on ACO (b). We believe there is a potential that Element 13 would not better facilitate ACO (b) than the status quo. Element 15 is addressed in the Authority's statutory consultation on licence changes.

We believe that WACM7 is likely to better facilitate ACO (b) than the Original and any other WACMs. We consider WACM7 could facilitate ACO (b) more positively. Introducing a Pause would give applicants access to more project information which will in turn better facilitate effective competition than the Original Proposal, or the status quo.

In terms of WACM1, WACM3, WACM4, WACM 5 and WACM6: we do not believe they would better facilitate ACO (b) than the Original. WACM2 and WACM7 are believed by the Authority to better facilitate ACO (b) than the Original.

Element 1: Proposed Authority approved Methodologies and NESO Guidance

2.91 On Element 1, we consider this to have a positive impact on better facilitating the achievement of ACO (b) as against the status quo.

2.92 We consider that the Methodologies being contained outside the codes would be appropriate, as providing more autonomy to NESO is suitable given NESO's role and responsibilities with regard to ACO (b). Given the contents of the Methodology documents, it is right that the Methodologies themselves are solely authored by NESO, so that it may make the right decisions for the connections process as and when needed.

2.93 The adoption of Methodologies (with NESO as sole author) would be a means of securing more efficient updates to the connections process in future, such that connections customers and consumers ultimately see the benefits of any subsequent updates more efficiently. This could have positive impacts on competition, since Element 1 would reduce as far as possible the delay between a change to the connections process being identified as needed, and that change being implemented.

2.94 Further, an annual review of the Methodologies can increase the likelihood of regular foreseeable improvements in the connections process and consequential benefit for connecting customers. Therefore Element 1 could lead to earlier detection of a needed amendment to the connections process, which could therefore improve competition for Users quicker than would be the case under the status quo (which does not have such a comparative regular review process).

2.95 Therefore, we consider Element 1 is likely to have a positive impact on the facilitation of effective competition in the generation and supply of electricity and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

Element 2: Introducing a bi-annual application window and two formal gates, which are known as Gate 1 and Gate 2 (i.e., the Primary Process)

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2.96 On Element 2, it is considered that this will have a neutral impact overall on better facilitating the achievement of ACO (b) as against the status quo. We agree with some stakeholder views that the Gated process ought to benefit competition, as the introduction of Element 2 can secure greater investor confidence.[71] The beneficial aspects of this Element are that a Gated approach where capacity and firm connection dates are only offered to projects that have fulfilled the Gate 2 criteria is likely to ensure that capacity is allocated to the most competitive projects. This ought to ensure there are fewer speculative projects, which better facilitates achievement of ACO (b) than the status quo since it ensures scarce capacity is most justly allocated.

2.97 On the other hand, the addition of Gate 1 itself and its optionality is likely to have a neutral impact on competition and better facilitating the achievement of ACO (b) as against the status quo. Further, the introduction of short, time-limited application windows on two occasions per year could have a slightly negative impact on competition and therefore may not better facilitate achievement of ACO (b) than the status quo. This is because the windowed approach creates a risk that new investment projects either do not come to fruition or receive a connection offer later than they would under the baseline connections process. This is the case as application windows places pressure on new applicants to have their applications and evidence submission fully prepared at the upcoming window. In the event they miss this, the opportunity to apply again will not arise for several months. This is more restrictive to competition than the baseline is. Further, this could have a greater effect on smaller developers with fewer resources, than larger developers.

2.98 Overall, we therefore consider Element 2 to be neutral as regards better facilitating the achievement of ACO (b) than the status quo, despite the drawbacks of introducing application windows with regard to the emphasis it places on getting the application right at defined time periods in a year, this is considered equally counteracted by the benefits that the gated approach introduces.

[71] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, Section 'Impacts on investor confidence' at page 89.

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Element 3: Clarifying which projects go through the Primary Process

2.99 On Element 3, we do not consider that this has direct implications on better facilitating achievement of ACO (b) than the status quo. We consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 3, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (b) than the status quo.

Element 4: Significant Modification Applications

2.100 On Element 4, we do not consider that this has direct implications on better facilitating achievement of ACO (b) than the status quo. For similar reasons as Element 3, we consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 4, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (b) than the status quo.

Element 5: Clarifying any Primary Process differences for customer groups

2.101 On Element 5, we consider there will likely be a net neutral impact on better facilitating the achievement of ACO (b) than the status quo. This is due to the fact that although certain types of embedded generators face a different application process under the Primary Process, we consider this is necessary in order to ensure no connection applicants are disadvantaged by the Primary Process. For example, Large Embedded Generators requesting a Gate 2 Offer and Relevant Embedded Small Power Stations and Relevant Embedded Medium Power Stations requesting a BEGA can submit a connection application at any time throughout the year. Further, Relevant Embedded Small Power Stations and Relevant Embedded Medium Power Stations do not go through the Gate 1 process; instead they go through an equivalent process.

2.102 It is our view that, whilst this has a positive impact on those affected generators that can apply all-year round since it removes the pressure from those projects to have

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their connection application ready at a narrow pre-defined window in the calendar year, it could be perceived that this has a negative impact since this same opportunity is not granted to other projects in scope of the Primary Process (at Element 2). There is a need for this differential treatment for these affected connection customers, due to the dependency they have with the Transmission Evaluation Application process.[72] In order to ensure these relevant categories of customer are not unfairly disadvantaged by the Primary Process, they must be able to apply to their DNO/iDNO all year round. To this extent, we disagree with some stakeholder views that embedded customers are likely to suffer detriment by the Primary Process.

2.103 This being said, the inclusion of the Letter of Authority offshore equivalent – the Letter of Acknowledgement – is a positive addition which renders Element 5 net neutral overall on better facilitating the achievement of ACO (b). Following the approval of CMP427 in early 2024, the requirement for a landowner Letter of Authority was imposed on new onshore connection applicants. Element 5 sees offshore projects brought in line with these requirements through the Letter of Authority equivalent being introduced. Offshore customers will also need a Letter of Acknowledgement if seeking a Gate 1 offer. Overall, this will be beneficial for projects in scope of utilising a Letter of Acknowledgement as it brings equality between onshore and offshore connection customers, therefore facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

2.104 Overall, we therefore consider Element 5 to be neutral as regards better facilitating the achievement of ACO (b) than the status quo, as the differential treatment is considered

[72] Distribution customers that require transmission works have an additional step to go through before receiving a connection offer: the Transmission Evaluation Application process. The TEAis similar to the existing Project Progression process: the DNOs can submit multiple developer connection applications under one TEA, which is assessed by the TO and leads to the production of a connection offer. The TEA process must be aligned with when the TOs are carrying out the Gated Design Process following a Gated Application Window, so that distribution customers in the relevant application window can be assessed and receive an offer on the same timeline as other applicants in the same window. But in order to ensure this outcome, these distribution customers must be allowed to apply all-year round as their connection applications must be submitted earlier than would be the case if they did not have to go through the TEA process. The TEA process is therefore necessary to ensure distribution customers that have a transmission impact are not disadvantaged by the Primary Process.

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equally counteracted by the benefits for those affected generators that can apply all-year round and the addition of the Letter of Acknowledgement.

Element 9: Project Designation

2.105 On Element 9, the Project Designation Methodology ('PDM') has been separately assessed by the Authority in our *Minded-to Decision: Project Designation Methodology*.

2.106 This being said, there are links and references in the CMP434 legal text to the PDM, and the concept of introducing this Methodology is included within CMP434. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 9 ought to have a neutral impact on better facilitating the achievement of ACO (b) than the status quo. This is on the basis that this Methodology merely adds a tool which NESO can use in setting the queue order of projects. It in itself does not and cannot increase competition in the generation and supply of electricity: whether the PDM is used or never used, we consider it will not have an impact on better facilitating the achievement of ACO (b) than the status quo.

Element 10: Connection Point and Capacity Reservation

2.107 On Element 10, it is considered that this equally facilitates ACO (b) compared to the status quo. This is the case as it will ensure all applicants have an equal and fair route to market. It can ensure that projects which otherwise could find themselves indirectly pushed out of the connections process (eg Interconnectors and Offshore Hybrid Assets ('OHAs'), due to the nuances of acquiring an offshore lease) remain able to competitively seek a Gate 2 Offer and are not indirectly disadvantaged by the gated process. For example, this Element will directly benefit any Interconnector/OHA User since it will confirm to them what their connection point will be ahead of them reaching Gate 2; this in turn will allow them to secure the necessary offshore lease and meet Gate 2 – but without the Reservation and knowing their connection point, these type of assets would be unable to do so. We therefore consider the Reservation power an essential feature of CMP434 in order to facilitate effective competition in the generation

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and supply of electricity and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

2.108 This being said, we acknowledge that the circularity issue for Interconnectors and OHAs is not an issue which presently exists under the status quo. This problem only arises through the creation of the Primary Process and the setting of the Gate 2 Criteria. Therefore, to this extent the Reservation feature equally facilitates ACO (b) compared to the status quo as these parties do not suffer detriment under the status quo and Element 10 ensures they do not under TMO4+ either.

2.109 Further, it is important to note that where Reservation is used, capacity is being set aside for projects which have not yet met the Gate 2 criteria and are therefore not yet able to demonstrate that they are 'ready'. It is imperative that NESO uses this power proportionately so as to not end up unfairly safeguarding an abundance of the projects which cannot demonstrate readiness, at the detriment of those who can. Were this to occur in practice, this would not facilitate effective competition in the generation and supply of electricity and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity. We consider that the time limit attached to the Reservation and the NESO's annual review of any capacity protected under Reservation is an appropriate check to ensure capacity is appropriately allocated.

2.110 Therefore, on balance we believe Element 10 is likely to have a neutral impact on facilitating the achievement of ACO (b) than the status quo.

Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved

2.111 On Element 11, this is split into two parts: the Gate 2 criteria as well as ongoing compliance requirements. Whilst the former of these did not have ACO implications on ACO (a), we note that the imposition of Gate 2 Criteria (contained in a separate Methodology) creates the opportunity for the entry requirements to the connections

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queue to be raised, which means this component of Element 11 could have implications on ACO (b).

2.112 Whilst the Gate 2 Criteria threshold will be evaluated separately in our Gate 2 Criteria Methodology minded-to decision, we note that the creation of these Criteria can have an impact on the route to market of certain projects. Generally, we do not consider this to be a negative impact on ACO (b), since the ability to review (and raise) the entry requirements ought to foster the most competitive behaviour among developers, which will have a beneficial impact on ACO (b).

2.113 We consider the addition of the new ongoing compliance requirements (component 1 being the requirement to continue to have secured land rights and ORLB provisions; component 2 being the requirement to submit an application for planning consent within defined timescales) better facilitates the achievement of ACO (b) than the status quo. This is because these place a higher level of incentives on developers to 1) get a connection agreement (component 1 requires the Gate 2 application to be likely to proceed to connection, or risk termination) and 2) maintain that connection agreement through regular, continued progress towards completion (component 2's requirement on milestone 1). This is anticipated to drive better behaviours from developers, without compromising on deliverability, compared to the status quo.

2.114 We disagree with a stakeholder view that component 2 (creating the possibility for Milestone 1 to be forward-calculated from the point an applicant meets Gate 2 Criteria) is unfeasible for projects to meet or would have a negative impact on better facilitating the achievement of ACO (b). This measure will ensure projects only apply for Gate 2 offers when they are sufficiently advanced and confident that they are able to meet M1 within the prescribed timescales. Any project in doubt of their ability to meet M1 by their prescribed timeline following meeting the Gate 2 criteria should exercise caution in submitting their Gate 2 application, noting that the Queue Management process could result in termination of their agreement. We consider this measure would be an improvement on the status quo with regard to better facilitating the achievement of ACO (b).

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2.115 As a result of the higher new compliance requirements borne out of CMP434, this is likely to better facilitate effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity as Users will have to comply with these elevated compliance requirements in order to maintain their Gate 2 agreements. This will impose a higher standard to be adhered to in order to maintain a Gate 2 agreement, thus this Element will better facilitate achievement of ACO (b) than the status quo.

Element 13: Gate 2 Criteria Evidence Assessment

2.116 On Element 13, we consider that this will may not better facilitate achievement of ACO (b) than the status quo. The Readiness Declaration check on its own is not deemed to materially impact the better facilitation of achieving ACO (b), because whilst checking will be required, evidence must still be checked under the status quo. However, it could be the case that the "reasonable endeavours" obligation to conduct the more detailed checks could result in varying connection customer experiences.

2.117 It is foreseeable that, given there are different organisations carrying out the more detailed check on the Readiness Declarations and underlying evidence, these organisations may have different levels of resource and ability to carry out the checks. Given the subjectivity of a "reasonable endeavours" obligation, this could result in some of these actors having differing levels of checks such that some may not be able to check all evidence in the Readiness Declarations or may not subject the evidence to the same amount of scrutiny as other actors. Inconsistencies across different DNO/iDNO regions could lead to different levels of scrutiny on connection applications in the different regions. This could therefore fail to facilitate effective competition in this relevant area.

2.118 The risk of different levels of scrutiny across different regions may mean that customers are held to differing standards with regard to the Readiness Declarations. There is also a risk that transmission Users may be held to a different standard than

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distribution Users, in the event resource or abilities differ between NESO and DNOs/iDNOs. This should be avoided as far as possible, with DNOs, iDNOs and TOs expected to provide a similar level of service across all regions. We acknowledge there are efforts in place to avoid this: eg a standardised template to be created by NESO to facilitate this process which will be mirrored across Transmission and Distribution, along with accompanying guidance.

2.119 In any case, due to the CMP434 legal text only imposing a "reasonable endeavours" obligation to undertake a more detailed check of the underlying Gate 2 evidence submitted alongside the Readiness Declaration, there is scope for variation which may not better facilitate the achievement of ACO (b) due to creating different standards of competition.

Element 15: Changing the offer and acceptance timescales to align with the Primary Process timescales (eg a move away from three months for making licenced offers)

2.120 On Element 15, the amendment of offer and acceptance timescales to align these with the Primary Process is addressed in the Authority's *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*. As a result, this Element is neutral against ACO (b).

On Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)

2.121 On Element 16, the CNDM has been separately assessed by the Authority in our *Minded-to Decision: Connections Network Design Methodology*. This being said, there are links and references in the CMP434 legal text to the CNDM, and the concept of introducing this Methodology is included within CMP434. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 16 to have a neutral impact on better facilitating the achievement of ACO (b) than the status quo. This is because the concept of a CNDM creates a transparent framework and process which NESO and TOs will follow in processing offers and creating the queue order; however

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this is not expected to positively or negatively impact on facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity versus the status quo, as even in the baseline the NESO and TOs are required to carry out this exercise.

Element 18: Set out the process for how DNOs and transmission connected iDNOs notify NESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet Gate 2 criteria

2.122 On Element 18, we consider this element will better facilitate achievement of ACO (b) than the status quo. At present (and under the baseline) connection customers can experience delays in receiving their connection offer (and subsequent detriment to connection date offered as a result) through DNOs/iDNOs not submitting Project Progressions to NESO in a timely manner. This has a detrimental impact on facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity as the ability and speed with which a customer can receive a connection offer and a connection date becomes tied to the resource and capabilities of a relevant DNO/iDNO.

2.123 In contrast, Element 18 makes positive steps to improve this by putting a clear deadline on DNOs/iDNOs within which to submit both the construction planning assumptions and the full technical data of the relevant application to NESO. This will put in place safeguards for Users and create better equality between transmission and distribution connection customers. Therefore, Element 18 better facilitates the achievement of ACO (b) than the status quo.

WACM1: Clarification of Embedded Definition

2.124 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it defines embedded power stations differently. It is considered that

this would not better facilitate achievement of ACO (b) than the Original Proposal. This is due to an error with section 11 of the legal text of WACM1, which could result in unclear outcomes for a selection of customers, to their detriment and causing inequal outcomes.

2.125 The legal text sees projects at the 100MW capacity mark in England & Wales captured across both the Category 1 and Category 2 Embedded Power Station definitions. This WACM, if approved, could lead to confusion and disputes between network companies, developers and NESO on how to classify the relevant projects. This could therefore inhibit the facilitation of effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity as this could become an additional barrier for some projects to overcome before seeking a connection offer. As a result, WACM1 is deemed not to better facilitate the achievement of ACO (b) than the Original Proposal.

2.126 This being said, even if the legal text was suitable, we do not consider WACM1 is any better (or worse) than the Original Proposal. We do not consider the changes it enacts to the Embedded definitions necessary, therefore in the absence of the legal text issues this would still not be preferred or selected for approval over the Original Proposal.

WACM2: DNO Submission Requirement

2.127 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places firmer obligations on DNOs/iDNOs with regard to submission of information to NESO.[73] It is considered that this WACM could better facilitate achievement of ACO (b) than the Original Proposal.

2.128 The firmer DNO Submission requirement in this WACM will enhance the likelihood of achieving the best outcomes for distribution customers in the most cases. In the

[73] To note, the Authority is minded to implement licence changes which place obligations on DNOs/iDNOs with regard to information submission requirements to NESO. More detail on these proposed licence changes can be found in Ofgem's Ofgem, *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*, February 2025, at page 54.

absence of WACM2, there would be a risk of varying outcomes for distribution customers depending on the workload/resources of the DNO/iDNO, since the subjectivity of a "reasonable endeavours" obligation is likely to lead to variations in interpretation and approach between different DNOs/iDNOs when it comes to considering the evidence submitted to determine the developer has met the Gate 2 Criteria. However, WACM2 eliminates this variability in most cases by tightening the requirements such that DNOs/iDNOs must abide by the timescales specified in the Gated Application and Offer Process following notification by a Distribution customer.[74] It is therefore likely that WACM2 could better facilitate achievement of ACO (b) than the status quo, since it could create fairer outcomes for connection customers (and greater equality between transmission and distribution) which means that connection customers' ability to connect timeously will be as fair and competitive as possible, since there is a level playing field without variables, caused by the subjective "reasonable endeavours" obligation, acting to any User's detriment.

WACM3: Capacity Reallocation Codification

2.129 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it restricts what NESO is able to do with freed up capacity following termination. It is anticipated WACM3 would have the same impact as the Original Proposal as regards facilitating the better achievement of ACO (b) as compared to the status quo.

2.130 We acknowledge that some may consider WACM3 to be fairer and therefore likely to better facilitate the achievement of ACO (b) than the Original Proposal due to capacity only being allocated in line with the CNDM (and excluding the ability of the Project Designation to utilise it). We do not agree with this, as the Project Designation power has strict use cases and governance around its use, therefore WACM3 is ultimately disproportionate and not necessary to facilitate effective competition in the generation

[74] Note that the CMP434 legal text still allows DNOs/iDNOs to use "reasonable endeavours" to make submissions to NESO where the relevant application is for a Large Embedded Power Station (BEGA or BELLA). In all other cases, WACM2 tightens the DNO/iDNO submission timeline requirements to submit in line with the Gated Application Window with reference to the period in s17.6.2 of CUSC.

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and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

2.131 WACM3 would neither better facilitate nor impede effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity, as ultimately this WACM simply restricts what freed up capacity may be used for – it does not prevent it being used. NESO will still allocate the freed-up capacity and therefore connection customer(s) will still benefit from this, regardless of the restrictions it places on NESO on how it uses this capacity. As a result, WACM3 has an equal impact on the better facilitation of achievement of ACO (b) when compared against the Original Proposal.

WACM4: Codifying restrictions on changes to project site location – "Red Line Boundary" – post-Gate 2

2.132 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it limits the ability of NESO to waive or amend the ORLB provisions. It is anticipated that WACM4 would have the same impact on better facilitating the achievement of ACO (b) as the Original Proposal. This is due to the fact that the removal of the ability for the 50% ORLB restriction to be waived could lead to more equal treatment amongst Users, such that all are held to the same standard. This would have a positive impact on facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity since all Users will need to comply with the same rules and could not seek exemption or variation from the ORLB requirements.

2.133 On the other hand, WACM4 removing the ability for any flexibility with regard to the ORLB restrictions could result in detriment to some Users. If this led to a reduction of TEC or the inability for the project to connect as intended, and if these were for reasons outwith the User's control, this could have a negative impact on facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase

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of electricity as it reduces the overall capacity of projects connecting. It is considered that on balance, it is better for NESO to have the discretion and flexibility afforded under the Original Proposal, although the direct impact on better facilitating the achievement of ACO (b) is likely comparable.

WACM5: Remove Project Designation

2.134 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it removes the PDM and Designation power from NESO. It is considered that WACM5 would have the same impact on better facilitating achievement of ACO (b) as the Original Proposal.

2.135 We consider WACM5 would not have a material impact on facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity. The Designation power is a tool used by NESO to aid in the ordering of the queue of projects which have met the Gate 2 criteria. Therefore, its removal does not aid or prevent capacity connecting, it merely has an impact on the order in which this occurs. Further, Users will not be able to ascertain from simply reading the PDM whether they will be Designated in accordance with the Methodology. This means all Users remain equally incentivised to adopt the same level of competition to meet the Gate 2 Criteria to get a Gate 2 Offer.

2.136 We acknowledge some perceive WACM5 to better facilitate the achievement of ACO (b) than the Original Proposal on the basis that its removal means all projects are allocated capacity and queue position in accordance with the CNDM – therefore treating all projects equally. On balance, while we acknowledge the Designation power is a tool which is not available for the benefit of all projects, it is considered the set governance arrangements around its use (set out in our statutory licence consultation) are sufficiently robust that the presence of the PDM does not lead to WACM5 better facilitating the achievement of ACO (b) than the Original Proposal, we believe their impact is the same in terms of better facilitating the achievement of ACO (b).

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WACM6: Obligation to carry out a review and publish a report on the Methodologies and Guidance documents under Connection Reform

2.137 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places an obligation on NESO to carry out a review and publish a report on the Methodologies' performance, and could lead to eventual codification of the Methodologies. We note that the annual review process for the Methodologies proposed under the new licence conditions would be expected to achieve the same result. It is therefore considered that WACM6 would have a less positive impact on the better facilitation of achievement of ACO (b).

2.138 As above, we note that WACM6 could lead to the eventual codification of the Methodologies. Given the nature of the detail that is in the Methodologies, we do not think that codification of the Methodologies is appropriate. We believe the Methodologies should be in NESO ownership and have greater flexibility to change (subject to Authority approval). WACM6 would mean NESO would not have sole authorship over the Methodologies, such that in the event updates are required to the connections process in future, this would likely be more difficult and slow to achieve than would be under the Original Proposal (for the reasons set out above at Element 1). This could lead to WACM6 not better facilitating the achievement of ACO (b) as compared to the Original Proposal as a result, since if any future risk in the connections process to competition could not be quickly remedied, this could have a detrimental impact on ACO (b).

WACM7: Introduction of a pause for market self-regulation before NESO/the Transmission Operators (TOs) undertake the network assessment

2.139 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it introduces a Pause for applicants to review information about the status of other projects published by NESO in a Gate 2 Register. It is considered that WACM7 would better facilitate achievement of ACO (b) than the Original Proposal.

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2.140 Publication of the Gate 2 Register, with information on the connection point, completion date, installed capacity and technology type of each project, is likely to have a positive impact on facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity. The transparency of WACM7 gives applicants the best possible information following NESO's completion of evaluating the Gate 2 evidence in a particular batch following closure of an application window. This will enable developers to evaluate their project's prospects in light of the best possible available information about the status of other projects, and is likely to enable the facilitating of effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity and better outcomes for Users as a result.

2.141 We recognise that the benefit in impact of WACM7 is dependent on User behaviour in response to the publication of the Gate 2 Register. As such, whilst the outcome is not certain we consider it is better to instil the Pause and provide an opportunity for Users to benefit from the transparency of information on other projects, as to do this creates the possibility of Users benefitting from this information. Should any Users take a different course of action in response to the Gate 2 Register, we consider this would better facilitate achievement of ACO (b) than the Original Proposal.

2.142 We do not consider there to be any competition or national security concerns with regard to the publication of the four categories of data on the projects that have met the Gate 2 criteria. This is due to the fact that much of this information would be published in due course on the TEC register, as is normally the case, on acceptance of the offers. However, we expect NESO to satisfy itself that the nature and extent of information published is consistent with all of its legal obligations (included but not limited to obligations in respect of confidentiality and competition law) in relation to the treatment of commercially sensitive data and confidential data. To the extent that NESO has any concerns in this regard, we would expect that the information in question is either not published at all or redacted to the extent necessary.

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2.143 On balance, we therefore consider WACM7 is likely to better facilitate achievement of ACO (b) than the Original Proposal, status quo and all others WACMs.

Original Proposal – *(c) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency*

Workgroup and Panel view

2.144 We note that the majority view of Panel, Workgroup members[75], and respondents to the CAC was that the Original Proposal and all other WACMs were neutral as regards better facilitating the achievement of ACO (c) than the status quo.

2.145 However, one Panel member did raise a point regarding Article 37(6)(a) of the 2009 Electricity Directive[76]. In short, the Panel member appears to insist that the Methodologies introduced through this series of reforms require to be approved by the Authority, with that Authority approval only being able to be given via the code modifications process.

2.146 We also acknowledge separate concerns were raised about the appropriateness of the distinction that would result from WACM1.

Our view

Summary of our view on ACO (c): *compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency*

Overview

Overall, we agree with the majority of workgroup and panel members as we are of the view

[75] Original: 33 neutral, WACM1: 33 neutral, WACM2: 32 neutral, WACM3: 32 neutral, WACM4: 34 neutral, WACM5: 35 neutral, WACM6: 31 neutral and WACM7: 31 neutral votes against ACO (c).
[76] "The 2009 Electricity Directive" means Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC.

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that the Original Proposal with all its Elements would have a neutral impact on ACO (c) compared to the baseline and that WACMs 1-7 would equally have a neutral impact on ACO (c) compared to the Original.

2.147 We consider it appropriate that the Methodologies are approved by the Authority, but we are satisfied that there is no requirement for this Authority approval to only be given via the code modification process. Article 37(6)(a) requires only that the Authority be responsible for "*fixing or approving*" the relevant methodologies. Article 37(6)(a) does not mandate that this approval can only be given via the code modification process. The Authority instead proposes to approve the Methodologies introduced through this series of reforms by virtue of the mechanism which is proposed to be inserted into NESO's ESO Licence which explicitly requires NESO to submit the Methodologies to the Authority for approval.

Original Proposal – *(d) promoting efficiency in the implementation and administration of the CUSC arrangements*

Workgroup and Panel view

2.148 The majority view of workgroup and Panel members of was that the Original Proposal better facilitated the achievement of ACO (d).[77] The view was expressed by workgroup and Panel members that higher barriers to entry will allow network operators to focus on projects most ready to proceed. A move from a continuous to batched application and offer process will necessitate the development of further efficiencies in NESO. Another positive impact in terms of ACO (d) was seen by workgroup members in the move to a batched assessment process which will allow for improved coordinated network designs which will ultimately help improve investment plans for network operators as there will be greater certainty in the connection offers being provided by each company. A concern expressed by a workgroup member in terms of the Original Proposal was that it does not demonstrate sufficiently robust evidence that the size of

[77] The Original proposal received 32 positive, 4 negative and 2 neutral votes against ACO (d).

the queue will be reduced, by slowing the rate at which new projects may apply or accelerating existing projects.

2.149 Mixed views were expressed by workgroup and Panel members in terms of WACM1 better facilitating the achievement of ACO (d).[78] Some workgroup and Panel members thought that WACM1 will clarify a part of the connections process and therefore have a positive impact. On the other hand, concern was expressed by workgroup and Panel members that WACM1 could cause confusion by implementing different thresholds in two industry codes and there could be a potential for unintended consequences.

2.150 WACM2 was rated mainly by workgroup and Panel members to better facilitate the achievement of ACO (d).[79] The main argument by workgroup and Panel members for this being the defined timescales introduced by WACM2 which provides more certainty in the process. On the other hand, a workgroup members saw WACM2 as placing unrealistic expectations on DNOs. In addition, the view was expressed by workgroup and Panel members that the CUSC was not the right place for this change and that the DCUSA or licences could be a better place for its efficient implementation.

2.151 WACM3 was mainly seen as better facilitating the achievement of ACO (d) by workgroup and Panel members.[80] The view was expressed by workgroup and Panel members that WACM3 provides clarity for CUSC members. Furthermore, a workgroup member thought that the defined requirements for capacity reallocation were stringent and effective. Furthermore, the view was expressed in response to the CAC that WACM3 will result in a more efficient administration of connection agreements.

2.152 WACM4 was mainly seen by workgroup and Panel members to better facilitate the achievement of ACO (d)[81] as it prescribes the requirements for ORLBs and therefore leads to more certainty and a better process. The main concerns raised by workgroup and Panel members are based on the question as to whether the CUSC was the right

[78] WACM1 received 22 positive, 11 negative and 6 neutral votes against ACO (d).
[79] WACM2 received 22 positive, 8 negative and 9 neutral votes against ACO (d).
[80] WACM3 received 30 positive, 4 negative and 5 neutral votes against ACO (d).
[81] WACM4 received 25 positive, 9 negative and 5 neutral votes against ACO (d).

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place for this proposal. Some thought this would better be placed in Methodologies. One further view expressed by a workgroup member was that the restrictions to the red line boundary should be codified at a later stage.

2.153 WACM5 was mainly seen as better facilitating the achievement of ACO (d) by workgroup and Panel members.[82] On the contrary, the concern was raised by a Panel member in terms of WACM5 that it could introduce detrimental unintended consequences on factors like security of supply, network efficiency and consumers.

2.154 WACM6 received mixed views from workgroup and Panel members in terms of whether it better facilitated the achievement of ACO (d).[83] Some workgroup and Panel members were of the view that WACM6 opens the road for codification. While this was seen positive by some workgroup and Panel members as it would provide legal certainty, others thought it would lead to reduced flexibility. One workgroup member expressed the view that WACM6 was setting a direction that does not need to be decided at this point.

2.155 Workgroup and Panel members had mixed views regarding WACM7 better facilitating ACO (d).[84] The main positive aspect was the immproved transparency. However, one concern was expressed by a workgroup member that WACM7 can encourage speculative applications, which are then withdrawn following Gate 2 Criteria evaluation. Further, workgroup and Panel members thought that parties would have different routes in obtaining sufficient information on other parties' connection planning status via already existing routes. Another concern raised by a workgroup member was that WACM7 could elongate the process and lead to more complexity.

[82] WACM5 received 26 positive and 13 negative votes against ACO (d).
[83] WACM6 received 29 positive, 8 negative and 2 neutral votes against ACO (d).
[84] WACM7 received 24 positive, 8 negative and 7 neutral votes against ACO (d).

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Our view

2.156 Summary of our view on ACO (d) *promoting efficiency in the implementation and administration of the CUSC arrangements*

Overview

Overall, we consider the Original Proposal would better facilitate ACO (d) than the status quo. This is mainly due to the greater efficiency anticipated to be achieved by the introduction of the gated approach. It would create a more streamlined process to governance which can enact changes more quickly. The regular cycle of the Gated process should enable better resource planning for NESO and TOs. While there would be an initial higher resource burden to process batched applications, this would be outweighed by the efficiency gains from higher barriers to entry – reducing wasted resourced on projects that are not viable or needed.
We believe that Elements 1, 2, 11, 13, 15, 16 and 18 would better facilitate ACO (d) than the baseline. Further, we anticipate that Elements 3, 4, 5, 9 and 10 would have a neutral impact on better facilitating ACO (d) than the status quo.
In addition, we are of the view that WACM7 will better facilitate ACO (d) than the status quo and all other WACMs. The reason for this being that the introduction of a Pause for self-regulation could lead to more efficiency.
It is anticipated by the Authority that WACM1, WACM4, WACM5 and WACM6 would not better facilitate ACO (d) than the Original Proposal. WACM2, WACM3 and WACM7 in the view of the Authority would better facilitate ACO (d) than the Original Proposal.

Element 1: Proposed Authority approved Methodologies and NESO Guidance

2.157 On Element 1, we consider that the Methodologies being contained outside the codes would be appropriate, given NESO's role and responsibilities with regard to ACO (d). Given the contents of the Methodology documents, it is right that the Methodologies themselves are solely authored by NESO, so that it may make the right decisions for the connections process as and when needed. Specifically with regard to ACO (d), this new governance arrangement which is simpler and more streamlined will enable

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changes to be enacted more quickly through avoiding the code modification process and therefore granting NESO/TOs more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements.

2.158 It is considered that the avoidance of regular code modification workgroup meetings, in respect of the connections process, will free up NESO (and industry) resource to focus on carrying out the implementation and administration of the CUSC instead, therefore reducing the administrative burden on NESO and better facilitating the achievement of ACO (d) than the status quo as NESO will have more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements.

2.159 The new governance process sets out a minimum review requirement of once per annum. It is anticipated that this will ensure the connections process remains fit for purpose in perpetuity, given this will mandate a regular review timeline – and updates can be brought about more swiftly than this where the need arises. Further, it is proposed that the Authority will hold a power (via the proposed licence conditions) to instruct NESO, at any point, to update the Methodologies to ensure they are still fit for purpose. Therefore Element 1 is likely to secure an update more efficiently than would be the case in the existing code governance process, due to the fact that normally, approval of a new code modification requires workgroups to set up which takes up significant industry time and resource, and in the event there are other higher-priority code modifications that need progressed in future at the same time, then remaining with the status quo (ie not doing Element 1) would risk any deficiencies with the connections process not being addressed quickly enough. The Methodologies approach eliminates this risk and better facilitates achievement of ACO (d) than the status quo by allowing NESO more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements as part of the connections process will now sit outside of the CUSC arrangements.

2.160 We recognise there may be a risk that NESO does not provide an update to the Methodologies (in form or content) which the Authority is able to approve, such that it requires NESO to be (re)directed to redraft accordingly. In this case, this could prove

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less expedient to secure updates to the connections process and could be comparable to the baseline (code modification governance process). We do not consider this a likely outcome, however, given the transparency and clarity provided by the new proposed licence obligations, especially the objectives each Methodology must be drafted against.

2.161 Overall, on Element 1, we consider this would better facilitate achievement of ACO (d) than the status quo.

Element 2: Introducing a bi-annual application window and two formal gates, which are known as Gate 1 and Gate 2 (i.e., the Primary Process)

2.162 On Element 2, it is considered that this will better facilitate achievement of ACO (d) than the status quo. This is because introducing set application windows will create a regular application cycle, which will have a more predictable demand curve for NESO and TOs to manage (as applications may only be made during the relevant application windows, as opposed to the status quo where applications can be made whenever all-year round), therefore allowing NESO to plan accordingly such that it makes the most efficient use of its time and resources to focus on promoting efficiency in the implementation and administration of the CUSC arrangements. This will also result in a more rational approach to connection application processing and allocation of capacity, since the move away from a *first-come, first-served* approach towards a more holistic approach taking applications in batches ought to result in the most optimised connections queue being achieved alongside improved coordination in network design, with the most suitable dates for all applicants according to their needs and abilities – and creating efficiencies for NESO at the same time.[85] It is anticipated that NESO and TOs will be able to cope with connection application demand more feasibly under this gated approach to applications, with processes and resources more easily planned for given the predictable demand curve, likely also leading to reduced network costs.

[85] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, heading "Impact on network build and connection dates" from page 54.

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2.163 This being said, given the move to the application windows approach, connection customers would not receive connection offers within 90 days (as is the case on the baseline). This means this change by Element 2 will see connection customers receiving connection offers later than they would in the absence of this change. Further, the application windows will place a significant burden on NESO/TO/DNO/iDNOs to adequately resource themselves and have robust processes in place to handle the new application process. In the event these actors misjudge the resource required and are ill-equipped to handle the spike of demand in connections applications that will occur at an application window, it could be the case that the sorting of applications and creation of the new queue takes longer than it ought to, which would therefore not promote efficiency in the implementation and administration of the CUSC arrangements, although we expect this risk to be relatively remote given the involvement of these organisations in the development of these proposals.

2.164 Further, we agree with some stakeholder views that the higher barriers to entry achieved through the gated approach (which sees capacity only allocated to projects which have met the gate 2 criteria) will promote efficiency in the implementation and administration of the CUSC arrangements as it will ensure that NESO/TOs are only spending significant time processing offers and designing the network for projects which have met gate 2 criteria (the most genuine projects). This is an optimising of NESO/TO resource and should have the consequential impact of better connection dates for connection customers as only the most genuine projects are given firm queue position and dates (implying the absence of speculative projects).

2.165 We also expect this approach will largely negate the need to have an interactive queue – no conditional offers based on interactivity ought to be issued since connections will be evaluated in batches and designed accordingly.

2.166 Therefore, we expect Element 2 to better facilitate achievement of ACO (d) than the status quo.

Element 3: Clarifying which projects go through the Primary Process

2.167 On Element 3, we do not consider that this has direct implications on better facilitating the achievement of ACO (d) than the status quo. We consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 3, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (d) as against the status quo.

Element 4: Significant Modification Applications

2.168 On Element 4, we do not consider that this has direct implications on better facilitating the achievement of ACO (d) than the status quo. For similar reasons as Element 3, we consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 4, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (d) as against the status quo.

Element 5: Clarifying any Primary Process differences for customer groups

2.169 On Element 5, this is considered neutral as regards better facilitating achievement of ACO (d) than the status quo, for similar reasons as set out on Elements 3 and 4. Ultimately, the nuances of how the Primary Process differs for some connection customers is not expected to have a material impact on promoting efficiency in the implementation and administration of the CUSC arrangements.

Element 9: Project Designation

2.170 On Element 9, the Project Designation Methodology ('PDM') has been separately assessed by the Authority in our *Minded-to Decision: Project Designation Methodology*.

2.171 Overall, we expect the introduction of the PDM would have a neutral impact on ACO (d) compared to the status quo. This is because ultimately we do not expect the

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Methodology, regardless of its utilisation rate, to impact on the date when customers receive connection offers. Further, although there will be consultation requirements in place before the Project Designation power can be utilised by NESO, we consider the administrative burden of this is likely to be offset by the positive impact the designation has on projects that are designated, in respect of ACO (d).[86]

Element 10: Connection Point and Capacity Reservation

2.172 Generally, on Element 10, we consider there will be a net neutral impact on better facilitating the achievement of ACO (d) as against the status quo. This is the case as whilst there may be some small additional administrative burden to NESO in carrying out the annual review of any Gate 1 Offers with capacity Reserved, this is likely to be offset by the benefit of avoiding any potential disputes that connection customers (in the absence of a Reservation power) could raise for being unable to achieve a gate 2 offer.

2.173 Further, we consider the Reservation power is needed to prevent inefficiency in the CUSC arrangements – without this, certain projects (interconnectors or offshore hybrid assets) could be unable to secure a route to a Gate 2 offer. In the event this occurred, this could create an additional administrative burden for NESO in handling disputes with these affected parties. The Reservation power must exist to protect the route to market for these Users and avoid any associated disputes or additional burdens that could otherwise exist in the absence of such a Reservation power.

Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved

2.174 For similar reasons that the ongoing compliance requirements better facilitate achievement of ACO (a) than the status quo, these also are expected to have a consequential positive impact on better facilitating achievement of ACO (d) than the

[86] The consultation requirement is set out in the Ofgem *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*, February 2025.

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status quo. Through the driving of the best, most competitive behaviour from developers, this will ensure the most likely to connect projects that the system needs are allocated capacity, with the intended result that more projects that receive Gate 2 offers will actually connect (ie we expect to see a reduction in attrition[87]). We do not agree with the view of some stakeholders that the Original Proposal will fail to reduce the size of the queue.[88]

2.175 Further, should these outcomes occur, this will better facilitate the achievement of ACO (d) than the status quo as it could lead to a reduced administrative burden for NESO in the long run. If the connections queue focuses on projects that are viable and remain on track, the need for NESO to intervene and exercise its compliance powers or termination powers ought to be significantly reduced therefore promoting efficiency in the implementation and administration of the CUSC arrangements. Whereas if Element 11's ongoing compliance requirements are not put in place (ie the status quo), the competitive standards adopted by developers are lower than they would be under Element 11. This can lead to developers being subject to the queue management termination provisions in the event they fail to suitably progress their project (which is a risk if developers perceive the barriers to entry to be low), which has an administrative burden associated for NESO in exercising these termination provisions.

2.176 Further, these heightened ongoing compliance requirements ought to ensure fewer speculative or non-genuine projects receive Gate 2 offers. Should this occur, this will mean more capacity is available to be allocated to the most genuine projects, which could result in earlier connection dates being offered to connection customers than would be the case on the baseline, therefore promoting efficiency in the implementation and administration of the CUSC arrangements. On this basis, we expect Element 11 to better facilitate achievement of ACO (d) than the status quo.

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[87] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, attrition is a present issue in the connnections process: there is a high level pf projects that fail to ultimately energise, page 16.
[88] set out in Ofgem, *TMO4+ Impact Assessment*, February 2025: See page 28, indicating "*After applying the readiness criteria and strategic alignment criteria above, the queue is expected to be reduced to a size of roughly 267GW worth of projects (including built capacity), with more than 470GW of capacity receiving Gate 1 terms*." However, we do acknowledge that the scope for accelerations pre-2030 is slim, according to TOs: see Ofgem, *TMO4+ Impact Assessment*, February 2025, from page 59.

Element 13: Gate 2 Criteria Evidence Assessment

2.177 On Element 13, we consider that overall this will better facilitate achievement of ACO (d) than the status quo. The Readiness Declaration check on its own is not deemed to materially impact the better facilitation of achieving ACO (d), because whilst checking will be required, evidence must still be checked under the baseline. It could also be the case that the subjective "reasonable endeavours" obligation to conduct the more detailed checks gives some degree of discretion to NESO/DNO/iDNOs such that they can draw the line where doing further checks would pose a risk to promoting efficiency in the implementation and administration of the CUSC arrangements.

2.178 Further, the presence of the duplication check is expected to add a small administrative burden to NESO in carrying these out (DNO/iDNOs do not do this). However, this is expected to be outweighed by the benefits of securing the most progressed and viable projects – through the prevention of projects potentially gaming the Gate 2 criteria by registering the same plot of land against multiple applications – which could therefore result in earlier connection dates for those most viable projects (due to the exclusion of non-viable projects from the queue).[89] As a result of the "reasonable endeavours" obligation and the presence of the duplication checks, Element 13 is overall considered to better facilitate achievement of ACO (d) than the status quo.

Element 15: Changing the offer and acceptance timescales to align with the Primary Process timescales (e.g., a move away from three months for making licenced offers)

2.179 On Element 15, the amendment of offer and acceptance timescales to set these in line with the Primary Process is addressed in the Authority's statutory consultation on

[89] This being said, although there is scope for accelerations, we note in Ofgem, *TMO4+ Impact Assessment*, February 2025, that the likelihood (according to TOs) of this occurring for projects due to connect before 2030 is slim; accelerations are more likely for projects connecting in the 2030s. see Ofgem, *TMO4+ Impact Assessment*, February 2025, page 64.

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licence changes. As a result, this Element is predominantly assessed in the Authority's policy consultation and subsequent statutory consultation.

2.180 Generally, however, we consider the move away from three months for making licensed offers to be necessary to achieve the benefits set out above under Element 2. In order for NESO and TOs to assess the applications in batches holistically and process these accordingly, an amendment to the offer and acceptance timescales is required. Without Element 15, it is unlikely Element 2 would be able to better facilitate achievement of ACO (d) than the status quo, that has been explained above. To this extent, Element 15 is therefore also anticipated to better facilitate achievement of ACO (d) than the status quo as it will ensure that NESO/TOs have the time they need to process offers and design the network for projects which have met Gate 2 criteria (the most genuine projects), which will optimise NESO/TO time thus promoting efficiency in the implementation and administration of the CUSC arrangements. Further, this could have the consequential impact of better connection dates for connection customers as only the most genuine projects are given firm queue position and dates.

Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)

2.181 On Element 16, the Connections Network Design Methodology has been separately assessed by the Authority in our minded-to decision on the Connections Network Design Methodology.

2.182 This being said, there are links and references in the CMP434 legal text to the CNDM, and the concept of introducing this Methodology is included within CMP434. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 16 to better facilitate achievement of ACO (d) than the status quo. This is because the concept of a CNDM being outside of the codes means that should any subsequent updates be required to this, they can be more efficiently implemented outside of the CUSC arrangements, therefore granting NESO more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements. This

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will have a benefit for connection customers in the long term as it ensures the enduring robustness of the connections process.

Element 18: Set out the process for how DNOs and transmission connected iDNOs notify NESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet Gate 2 criteria

2.183 On Element 18, it is considered that this will better facilitate achievement of ACO (d) than the status quo. The imposition of transparent deadlines for DNOs/iDNOs to follow in submitting connection application information to NESO is expected to promote efficiency in the implementation and administration of the CUSC arrangements. By this obligation being imposed on DNOs/iDNOs, it ought to reduce the prevalence of connection customers suffering detriment due to too much time being taken to provide connection customers with an offer. This will in turn reduce the number of cases of customers with disputes with NESO/DNOs/iDNOs and reduce the need for disputes to be referred to the Authority for determination.

2.184 Further, if DNOs/iDNOs can submit essential connection application information to NESO in a more timely manner, this can avoid instances where a User is unable to be processed in a batched application window due to no fault of their own. This will mean connection offers can be produced in the most timely manner and connection customers can get the best possible connection date available – which may not be the case for a customer who misses being processed in their intended batch due to a DNO/iDNO not promptly submitting their connection application information to NESO. As a result, Element 18 is expected to better facilitate the achievement of ACO (d) than the status quo.

WACM1: Clarification of Embedded Definition

2.185 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it defines embedded power stations differently. It is considered that this would not better facilitate achievement of ACO (d) than the Original Proposal. This

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is due to an error with section 11 of the legal text of WACM1 which could result in unclear outcomes for a selection of customers. The legal text sees projects at the 100MW capacity mark in England & Wales captured across both the Category 1 and Category 2 Embedded Power Station definitions. This WACM, if approved, could lead to confusion and disputes between network companies, developers and NESO on how to classify the relevant projects, therefore not promoting efficiency in the implementation and administration of the CUSC arrangements. This could therefore lead to delays in a project receiving a connection offer and the disputes themselves could be time consuming for parties to resolve.

2.186 As a result, WACM1 does not better facilitate achievement of ACO (d) than the Original Proposal. This being said, in the event this legal text defect did not exist, we do not consider WACM1 is any better (or worse) than the Original Proposal. We do not consider the changes it enacts to the Embedded definitions necessary, therefore in the absence of the legal text issues this would still not be preferred or selected for approval over the Original Proposal.

WACM2: DNO Submission Requirement

2.187 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places firmer obligations on DNOs/iDNOs with regard to submission of information to NESO.[90]

2.188 It is considered that this WACM could better facilitate the achievement of ACO (d) than the Original Proposal since the firmer requirements placed on DNOs to submit the connection application information to NESO on the Gated Application and Offer Process timescales will likely result in both the batched assessments being processed quicker and therefore also connection customers' offers being provided more efficiently. We also agree with stakeholder views that WACM2 ought to ensure adherence to the

[90] To note, the Authority is also consulting on licence changes which propose to place obligations on DNOs/iDNOs with regard to information submission requirements to NESO. More detail on these proposed licence changes can be found in Ofgem's Ofgem, *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*, February 2025, at page 54.

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defined timescales, which could provide more certainty in the process. Therefore, this is anticipated to promote efficiency in the implementation and administration of the CUSC arrangements through the abidance by DNOs/iDNOs of the timescales prescribed.

WACM3: Capacity Reallocation Codification

2.189 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it restricts what NESO is able to do with freed up capacity following termination. It is anticipated that WACM3 could have a slightly more positive impact as regards better facilitating the achievement of ACO (d) when compared to the Original Proposal. This is because, although from the connection customer's point of view the capacity will still be allocated and customers will benefit from it as timeously as they would under the Original Proposal, there could be a slightly more positive impact on ACO (d) with regard to NESO: by removing the ability for NESO to utilise freed up capacity for Project Designation or Connection Point and Capacity Reservation, this removes the degree of administrative assessment that would be required to be carried out by NESO in using the freed up capacity for either of those uses. As a result, it is foreseeable that WACM3 could have a more positive impact on ACO (d) against the Original Proposal.

WACM4: Codifying restrictions on changes to project site location – "Red Line Boundary" – post-Gate 2

2.190 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it limits the ability of NESO to waive or amend the ORLB provisions. It is anticipated that WACM4 would not better facilitate achievement of ACO (d) than the Original Proposal as a result.

2.191 WACM4 removes the ability for the ORLB 50% requirement to be waived where justified, and removes the scope for the 50% permitted tolerance to be updated via the

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Queue Management guidance, which will keep the ORLB provisions codified.[91] This would make the ORLB provisions impossible to adapt in the short term and may not promote efficiency in the implementation and administration of the CUSC arrangements as a result, if this then leads to disputes where TEC is reduced and the developer is dissatisfied with this. Further, if it transpires that the 50% restriction limit is (or becomes) unfit for purpose for whatever reason, since the codification of this element would require a code modification to amend it, this would create additional administrative burden on all parties which would not promote efficiency in the implementation and administration of the CUSC arrangements.[92] We therefore agree with some stakeholder concerns regarding whether the CUSC is the right place for this proposal. It is anticipated that WACM4 would not better facilitate the achievement of ACO (d) than the Original Proposal.

WACM5: Remove Project Designation

2.192 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it removes the PDM and Designation power from NESO. It is considered that WACM5 would likely have a slightly less positive impact in better facilitating the achievement of ACO (d) compared to the Original Proposal.

2.193 On the one hand, WACM5's removal of the Designation power means it would eliminate the need for NESO to consult on their minded-to decision to designate any projects, as well as various other governance steps.[93] Whilst we do not seek to comment on the merits or rationale behind the governance framework of the Designation power in this CMP434 minded-to decision, we acknowledge that WACM5 would eliminate these

[91] NESO, Guidance for the Queue Management process for Transmission Customers.
[92] As the existing code governance process in place requires workgroups, two sets of consultations, and is usually set across many months/over a year; whereas a guidance update can be facilitated by NESO more quickly and without these governance stages.
[93] Per the governance arrangements of the Designation Power, set out in our Ofgem, *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*, February 2025, NESO is required to consult on their minded-to decisions to designate projects, clearly setting out the rationale for designating a project and its impact. After the consultation, NESO is required to post a public notice that it has designated a project and publish an impact assessment of its decisions, demonstrating the benefit to the system and consumers with reference to the relevant Designation Criteria. When NESO designates a project for connection, it is then required to submit this decision to the Authority for approval.

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administrative burdens from NESO. To this extent, it is therefore likely that WACM5 would better facilitate the achievement of ACO (d) than the Original Proposal, since it would promote efficiency in the implementation and administration of the CUSC arrangements by relieving NESO from the need to comply with consultation obligations and various governance steps associated with the Designation power.

2.194 This being said, WACM5's removal of Project Designation would prevent connection customers and GB consumers benefitting from projects being Designated. This would result in WACM5 having a less positive impact on ACO (d) than the Original Proposal, due to the loss of potential benefits that could have been gained from the Designation of projects that could stand to provide significant consumer benefit. For example, where projects with long lead times are Designated to have a benefit to consumers, ie such that this would secure their energisation more efficiently than would otherwise be the case.[94]

2.195 On balance, we consider the detriment to connection customers and consumers caused by the loss of the Designation power outweighs the benefits to NESO in the reduction of administrative burden associated with the Designation power. Therefore, we consider WACM5 would have a slightly worse impact against better facilitating the achievement of ACO (d) as compared to the Original Proposal.

WACM6: Obligation to carry out a review and publish a report on the Methodologies and Guidance documents under Connection Reform

2.196 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places an obligation on NESO to carry out a review and publish a report on the Methodologies' performance, and could lead to eventual codification of the Methodologies. It is considered that WACM6 would not better facilitate the achievement of ACO (d) than the Original Proposal.

[94] See Ofgem, Minded-to: *Project Designation Methodology*, February 2025 at para 3.46.

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2.197 In the event WACM6 did lead to the eventual codification of the Methodologies NESO, TO and industry resource would have to be dedicated to codifying the Methodologies through the code governance process. This typically demands regular workgroups and attendance, two sets of consultation, creation of an FMR and ultimately submission to the Authority for decision, all of which takes up NESO, TO and industry resource, meaning that resource can't be used to promote efficiency in the implementation and administration of the CUSC arrangements. Further, in the event this occurred and the Methodologies were codified, this would mean in the event anything became unfit for purpose and required urgent amendment in future, this would likely be slower to achieve than would be under the Original Proposal (for the reasons set out above at Element 1) since it would again require a code modification to be raised and ultimately approved. To this extent, we agree with some stakeholder views that WACM6 would mean reduced flexibility in the CUSC arrangements.

2.198 We disagree with some stakeholder views that WACM6 could provide increased legal certainty. We consider that the new governance arrangements proposed through our statutory consultation on licence changes, if approved, provide sufficient certainty to industry on the Methodologies and any future revisions.

2.199 As such, it is foreseeable that this would not better facilitate achievement of ACO (d) as a result, since any updates required to the connections process could not be as quickly remedied, which could have a detrimental impact on promoting efficiency in the implementation and administration of the CUSC arrangements. Therefore, the Original Proposal better facilitates the achievement of ACO (d) than WACM6 as a result.

WACM7: Introduction of a pause for market self-regulation before NESO/the Transmission Operators (TOs) undertake the network assessment

2.200 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it introduces a Pause for applicants to review information about the status of other projects published by NESO in a Gate 2 Register. It is considered that WACM7 would better facilitate the achievement of ACO (d) than the Original Proposal.

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2.201 Whilst we recognise there will be a slight delay at the outset in implementation of a Pause, through the creation of the Gate 2 Register, it is considered this initial hurdle would be considerably outweighed by the benefit in the long run of having secured the greatest confidence in the connection queue and increasing the chances of customers connecting earliest (eg in event any project withdraws following review of Gate 2 Register). We therefore disagree with some stakeholder views that the benefits of the Pause are outweighed by an extended timeline compared to the Original Proposal. Further, if the publication of Gate 2 Register leads to self-terminations, this will have a positive impact on the connections process as it reduces the administrative burden that would have been associated to NESO and TOs with the network design and creation of the connection offer for that User, therefore promoting efficiency in the implementation and administration of the CUSC arrangements.

2.202 Publishing the Gate 2 information in the Gate Register would improve transparency because it gives more visibility of projects that submitted a Gate 2 application. We acknowledge that whether WACM7 delivers tangible improvements beyond the Original Proposal is dependent on how Users use that information in the Gate 2 Register. For WACM7 to better facilitate the achievement of ACO (d) than the status quo, Original Proposal and other WACMs, this has a dependency on Users taking positive action in response to the publication of the Gate 2 Register and making decisions they would not have done (nor have been able to do) in the absence of this information. Whilst we cannot predict how Users will respond to the Gate 2 Register, we consider it is better to instil the Pause and provide an opportunity for Users to benefit from the transparency of information on other projects, as to do this creates the possibility of Users benefitting from this information. Should any Users take a different course of action in response to the Gate 2 Register, we consider this would better facilitate achievement of ACO (b) than the status quo, Original Proposal, and the other WACMs.

2.203 It is considered that WACM7 would better facilitate the achievement of ACO (d) than the status quo, the Original Proposal and all other WACMs.

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Overall recommendation:

2.204 We are minded-to approve WACM7 of CMP434. To summarise, this is because:

- WACM7 contains all of the core features of the Original Proposal which we deem positive against the ACOs: creation of Methodologies to house core components of the connections process; incorporation of a Gated approach, with application windows; a Letter of Acknowledgement requirement; Reservation of capacity for projects where there is need; new ongoing compliance requirements; duplication checks, and more;
- *Further, WACM7 introduces a Pause to specifically give applicants transparency of data of projects that have met Gate 2 (Gate 2 Register would reveal: connection point, completion dates, installed capacity and technology types) following closure of an application window for applicants to review, which should benefit competition. The Pause grants applicants the opportunity to reflect on their project's prospects in light of the published information about the status of other projects, and make decisions on their project in light of this;*
- *Gives NESO and TOs confidence that after the Pause, the Gated Design work would be optimised based on Users making decisions on the most up to date information. This should secure greatest confidence in the connection queue and increasing the chances of customers connecting earliest (eg in event any project withdraws following review of Gate 2 Register);*
- *Expected to increase the likelihood that the most ready and needed projects will be given offers for where and when they ought to be;*
- *Possibility for reduction in speculative projects in Gate 2 queue, through withdrawals; this would also lead to a reduced administrative burden for NESO and TOs since avoids the burden involved in network design and creation of the connection offer for that User (as well as any subsequent queue management action needed by NESO in the event that project failed to meet its milestones in future).*

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Our assessment against the Authority's Principal Objective and wider statutory duties

2.205 Having reached the overall conclusion that WACM7 of CMP434 best facilitates the achievement of the ACOs in our assessment above, we have also assessed whether its approval is in line with our principal objective and other statutory duties.

2.206 We are minded to consider approval of WACM7 to be consistent with our principal objective of protecting the interests of consumers (both current and future) which includes their interests in the Secretary of State's compliance with the duties in sections 1 and 4(1)(b) of the Climate Change Act 2008 (net zero target for 2050 and five-year carbon budgets). It is our assessment that this proposed modification, as a key part of the connections reform package, is consistent with our principal objective by, amongst other things, enabling work to rapidly decarbonise the energy system efficiently - in a manner that avoids an unnecessary overbuilding of the network at additional cost to consumers. We also recognise that decarbonisation increasingly insulates GB electricity consumers from the future risk of further fossil fuel driven price spikes, enhances security of supply and contributes towards sustainable development.[95]

2.207 The package of reforms will promote efficiency and economy on the part of licensees (in particular network companies and NESO in ensuring network build is aligned to what is required for Clean Power 2030 and as such, avoiding unnecessary overbuild of the network that would otherwise be needed for the current queue, and which would entail a slower rate of connections). It will also help secure a diverse and long-term energy supply (less reliant on fossil fuels) and promote economic growth e.g. through more timely connection of demand.

Other relevant statutory duties

[95] We also note that this furthers the delivery of the policy outcomes in the Strategic Policy Statement as regards reform of the connections regime and accelerated delivery of electricity network to accommodate rapidly expanding and variable renewable generation capacity and demand from low carbon technologies. (Sections 132 of Energy Act 2013).

2.208 In reaching this minded-to decision, we have also had regard to other statutory duties, as more fully described in the Overarching document – applicable to Ofgem, NESO and network companies.

Consultation questions

1. Do you agree with our minded-to position to approve WACM7 of CMP434?
2. Do you expect the Pause for market self-regulation and information published in the Gate 2 Register would lead to a different approach taken by projects?
3. Do you have any further remarks, comments or concerns with our minded-to position that you would like us to take into account?

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The modification proposal: *CMP435: Application of Gate 2 Criteria to existing contracted background*

2.209 CMP435 aims to deliver a one-off exercise through a newly proposed CUSC Section 18, which applies many elements of TMO4+ (i.e. from CMP434) to the existing connection queue, including: gated process for existing agreements, compliance with Methodologies, Gate 2 requirements and evidence assessment and Reservation. This code modification seeks to confirm which projects would be in scope of the "Gate 2 to Whole Queue" exercise[96], the process involved to receive a gated offer, the contractual changes that would occur, and it proposes a cutover date[97] for when projects could be classified as "Existing Agreements". The end result of this code modification would be that all existing contracted projects in scope would receive either a Gate 1or Gate 2 contract variation, and therefore the current queue would be reorganised based on projects that are ready and needed, in line with the rest of TMO4+.

CMP435 – Original Proposal

2.210 The Original Proposal of CMP435 is dependent on CMP434 and is comprised of a number of the same Elements as CMP434. Some Elements have been withdrawn since the code modification was initially raised. The Elements which still exist and form part of the proposal are:

- **Element 1: Proposed Authority approved Methodologies and NESO guidance** - This is the same as CMP434 but is applied to the existing contracted background.

[96] This is the process envisaged by NESO that applies the reformed connections process made of gates and windows, implemented in CMP434, to the existing contracted background in scope affecting the electricity transmission network. It is considered a one-off exercise, under newly proposed Section 18 of the CUSC, for which existing projects in scope would need to submit an existing agreement request within one window and NESO and the pertinent network company would evaluate those applications before CMP434 applications are processed.
[97] This is a non-calendar date suggested as a new definition in CUSC Section 11 and defined as "EA Cut Off Date". This date will determine what projects are categorised as Existing Agreements for the purposes of Section 18 of the CUSC. Any application submitted beyond that date should be considered part of the CMP434 regime and processed accordingly.

- **Element 3: Clarifying which projects go through the Gate 2 to Whole Queue Process (Primary Process)** - This element is the same as CMP434, with the exception that the projects in scope are not new projects but contracted and connected (the connected projects in scope are only in relation to project stages that have not been energised yet), so that existing projects would be processed according to the gated process described in CMP434.
- **Element 9: Project Designation** - This is the same as CMP434, but is applied to the existing contracted background.
- **Element 10: Connection Point and Capacity Reservation** - This is the same as CMP434, but has been amended to refer to 'Gate 2 to Whole Queue Process'.
- **Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved** - This is the same as CMP434, but is applied to the existing contracted background.[98]
- **Element 13: Gate 2 Criteria Evidence Assessment** - The process described in this element is largely the same as CMP434, with the exception that existing projects can request to advance their connection date compared to their original connection date, or reduce TEC or Developer Capacity to facilitate their achievement of Gate 2 criteria.
- **Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)** - This is the same as CMP434, but is applied to the existing contracted background.
- **Element 19: Contractual changes** - This element is only part of the CMP435 proposal and implements the contractual changes required to apply the gated process to the existing contracted background in scope with the reformed connections process. It classifies the categories of customers affected, explaining the contractual changes that will occur in each customer category, the evidence customers need to provide and the implications and consequences following the revised contractual position.

[98] We note that the CNDM and PDM as presently drafted will play a role in determining whether a project has met the Gate 2 Criteria. While this is not required by or expressly envisaged in the legal text of CMP435, there is nothing to preclude it and, as explained elsewhere, our present view is that the Methodologies function effectively together.

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- **Element 20: Transitional Arrangements and Cutover Arrangements** - This element is only part of the CMP435 proposal and introduces cut over arrangements to avoid the processes set out respectively in CMP434 and CMP435 running in parallel. NESO has provided a cut-off date beyond which connections applications cease to be considered existing agreements, and will instead be subject to the processes set out in CMP434.

CMP435 – Workgroup Alternative Code Modification

2.211 Alongside the Original Proposal, there was one WACM for CMP435. WACM1[99] operates in general terms in the same way as the Original Proposal (by introducing new processes and definitions for certain new and modified connection applications that will update the existing processes and enable those projects that are most ready to progress to connect more rapidly) but proposes to introduces a Pause for market self-regulation before NESO/TOs begin the Gated Design Process; obligates NESO to, following completion of the Gated Assessment, compile and publish an EA Register with information on which Existing Agreements for a Project are Effective[100] and by reference to: connection point, completion date, installed capacity and technology type of each of these projects. The EA Register will also confirm which Existing Agreements for a Project have expressed an interest in Reservation.

CMP435 - Workgroup views

2.212 The Workgroup concluded by majority that the Original Proposal and WACM1 better facilitated the ACOs than the Baseline[101].

[99] WACM1 of CMP435 operates largely in the same way as WACM7 of CMP434, with WACM1 of CMP435 being amended to reflect the fact that CMP435 applies the reformed connections process made of gates and windows, implemented in CMP434, to the existing contracted background in scope affecting the electricity transmission network.
[100] Defined in CUSC Section 11, an Existing Agreement's request is deemed effective by NESO when the request reasonably meets the requirements of CUSC Section 18.8.
[101] See Annex 8 - CMP435 CUSC Alternative and Workgroup Vote, pages 23-25.

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CMP435 - CUSC Panel recommendation

2.213 At the CUSC Panel meeting on 20 December 2024, the Panel recommended by majority that the Original and WACM1 better facilitated the ACOs. By majority the Panel recommended that WACM1 (5 out of 8 votes) best met the ACOs.

Our minded-to decision on *CMP435: Application of Gate 2 Criteria to existing contracted background*[102]

2.214 We have considered the issues raised by the modification proposal and the FMR dated 20 December 2024. We have considered and taken into account the responses to the industry consultation(s) on the modification proposal which are attached to the FMR.[103] We have also considered and taken into account the votes of the Workgroup and CUSC Panel on CMP435.[104]

2.215 We are minded-to conclude that:

- Both the Original Proposal and WACM1 better facilitate the achievement of ACOs (a), (b), and (d) as compared to the baseline and both have a neutral impact on better facilitating the achievement of ACO (c). Overall, implementation of WACM1 will best facilitate the achievement of the relevant ACOs;[105] and
- directing that WACM1 be approved is consistent with our principal objective and statutory duties.[106]

[102] In this document, existing contracted background means the projects in scope of CMP435, contracted and connected, as discussed in Element 3 of CMP435 section.
[103] CUSC modification proposals, modification reports and representations can be viewed on NESO's website at: https://www.neso.energy/industry-information/codes/connection-and-use-system-code-cusc/cusc-modifications
[104] In carrying out this exercise of considering all issues raised, in this document, we have not individually addressed each of the issues raised, we have however considered all issues raised.
[105] As set out in Standard Condition E2 of the Electricity System Operator Licence.
[106] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

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2.216 The nine Elements which make up CMP435 have largely the same effect as those corresponding Elements in CMP434. However, for more information on whether the Elements differ please see the section titled "Proposer's solution" which starts on page 10 of the CMP435 FMR and explains the key differences between the Element in CMP434 and the same Element in CMP435.

2.217 We set out below our assessment against each of the relevant ACOs.

Reasons for our minded-to decision on CMP435

(a) The efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence[107]

Workgroup and Panel view

2.218 The majority of workgroup members supported the Original Proposal as better facilitating the achievement of ACO (a) with 22 positive votes out of 26 Similarly, a majority supported WACM1 as better facilitating the achievement of ACO (a) with 20 positive votes out of 26.

2.219 Common views on the Original Proposal and WACM1

[107] We note that ACO(a) refers to "*obligations imposed upon [the licensee] by the Electricity Act 1989 and by this licence.*" Previously, NESO held a transmission licence under s6(b) EA89; as such, the EA89 imposed certain general obligations on it via s9(2). Now, NESO holds an Electricity System Operator Licence under s6(da). NESO, as the designated ISOP, has a set of "general duties" under s163 of the EA23, which it must meet pursuant also to its licence obligations: A2.20; C1.2(d); E12.7. Further, general obligations on NESO can be found in Condition C1 of the NESO Licence including in C1 regarding whole systems: see Parts, A, D and E. These include obligations that are substantively similar to those contained in s.9 EA89. We therefore consider it appropriate to assess CMPs 434 & 435, in respect of ACO(a), through the lens of the obligations on NESO contained in both s163 and Condition C1. It is expected that ACO(a) will be updated in early course to make specific reference to the EA23 rather than the EA89, albeit the former comes into play in any event through the general provision of Condition A2.20. Finally, we note that in the FMRs, the proposals appear to have been analysed by reference to the language of s9 EA89 and NESO's former transmission licence. Given the similarities between these obligations and those now falling specifically on NESO, we did not consider it necessary to send back the proposals on this basis. We drew attention to this in this letter, and did not receive any responses raising concerns about this approach.

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2.220 Both proposals were seen as helping to balance the system due to prioritising the most ready projects. One view was that while it may hasten the development of proposals, the lack of codification of Methodologies meant that the full impacts of the proposals could not be assessed and therefore were unable to determine whether any of the ACOs were positively or negatively affected.[108]

2.221 There were concerns that the detail of the reforms sat outside the CUSC. Firstly, Methodologies, as enabled by CMP435, may cause the loss of confirmed connection rights for mature projects which could lead to costs to consumers. Another view was that despite the flexibility gained by Methodologies, they should be codified at a future date or there is a risk to investment from NESO unilaterally changing them. Secondly, it was argued that codification leads to a more efficient market design (which follows that non-codification would lead to an inefficient market design)□;. Thirdly, that ready and needed projects should not go through Gate 2 as this could impede progress and delay CP2030.

2.222 Other issues that were raised in respect of both proposals were that a lack of detailed debate on the impacts on costs, benefits, and risks or on embedded generation poses a risk to the investment climate. Finally, there were concerns around the ability of NESO to correctly assess large complex projects developed over extended timeframes.[109]

Original Proposal

2.223 There were views that the Original Proposal better facilitates the achievement of ACO (a) by providing the foundation of the new process, which by allowing the queue to be made up of readier and more viable projects, enables a more coordinated and efficient network design for connections.

2.224 There were also views that this coordination would align with strategic network design, meaning a more efficient allocation of capacity. This would lead to more efficient

[108] These views are also relevant to ACO's (b) and (d) but will only be noted here to reduce duplication.
[109] These issues also relate to ACO (b) and (d) but, to avoid too many repetions, we will only include and address them here.

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transmission investment as it will use batches of projects to holistically plan, thus giving more certainty. One caveat added was that this was only possible in conjunction with a strong Gate 2 Criteria methodology which is properly enforced. The Original Proposal was seen as neutral by some in respect of ACO (a) since there was a lack of evidence to assess the impact on projects and investment. However, there were negative views that the Original Proposal's gated process being centred around Land Rights was not uniformly applicable[110] and when comparing the Original Proposal to WACM1, the Original Proposal was criticised for the 'blind' advancement requests[111] which could result in abortive work for network operators should Gate 2 offers be unwanted.[112] One view was that Original Proposal only works with land rights that are fully checked.

WACM1

2.225 Some thought that WACM1 better facilitated the achievement of ACO (a) than the Original Proposal as it provided additional data for developers to make an informed decision. This would avoid Network Operators undertaking work which would later be aborted since developers are making advancement requests 'blind'.[113] This respondent wanted WACM1 to go further and release more data. WACM1 was also seen as enhancing transparency which could facilitate the rapid development of an efficient transmission network, encourage investment and help meet CP2030 goals. However, one view was that WACM1 would elongate the process and add unnecessary complexity.

[110] This view is also relevant to ACO (b) but will only be noted here to reduce duplication.
[111] The policy of Advancement is covered in detail in the CNDM. The Advancement request is made "blind" because Users will not know if the requested date and location can be accommodated, since this is based on the coordinated network design done by TOs, after the closure of the Existing Agreements request window. Once the customer receives a connection offer based on advancement it has three options: accept it, let it lapse or request a reoffer.
[112] These views are also relevant to ACOs (b) and (d) but will only be noted here to reduce duplication.
[113] These views are also relevant to ACOs (b) and (d) but will only be noted here to reduce duplication.

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Our view

Original Proposal - *(a) the efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence*

This section provides our analysis of the Original Proposal and WACM1 against ACO (a). It lays out our assessment of each 'Element' of the Original Proposal and WACM1 separately.
We consider that the Original Proposal would better facilitate ACO (a) than the status quo. It would apply the CMP434 Primary Process to the existing connections queue, allowing NESO to take a holistic view and plan the network in a more efficient manner by focusing on those projects that are ready and needed. The Methodologies and NESO guidance would give NESO more autonomy to take a centralised approach to the connections process and so provide more efficient updates. We believe that Elements 1, 3, 9, 11, 13, 16, 19, and 20 would better facilitate ACO (a) than the status quo. Element 10 would have a neutral effect on ACO (a). Overall, we consider that WACM1 best facilitates ACO (a) when compared to the status quo and the Original Proposal. It would be subject to the same considerations as the Original Proposal listed above but with the added benefit of a Pause which would give applicants the best available information on which to evaluate their project's prospects. This would make the connections process more transparent and provide further optimisation, which will only improve the benefits to a more efficient, economical and coordinated system.

Element 1: Proposed Authority approved Methodologies and NESO guidance

2.226 We expect Element 1 to better facilitate achievement of ACO (a) for the same reasons set out in the CMP434 minded-to analysis. These include giving NESO more autonomy to take a more holistic and centralised approach to the connections process and to provide more efficient updates, if compared to the length of the standard code modification process, which involves many steps. However, regarding CMP435 we anticipate an additional benefit compared to CMP434: the impact on current CUSC Users.

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2.227 In line with what has been discussed in the CMP434 minded-to decision, the adoption of Methodologies to house key components of the connections process is seen as a means of securing a more efficient connections queue based on the reformed gated process and to give NESO more autonomy on decisions in the electricity transmission system. The Methodologies would cover technical aspects of the reformed connections process including readiness criteria and alignment with strategic energy plans, mechanisms to allocate network capacity and queue position, and prioritise projects that bring system benefits. Given the nature of the detail that is in the Methodologies we do not think that codification of the Methodologies is appropriate, we believe the Methodologies should be in NESO ownership and have greater flexibility to change (subject to Authority approval).

2.228 The ability for NESO to manage the content of Methodologies with an adequate level of transparency and industry participation, would allow NESO to discharge their obligations to promote an efficient, co-ordinated and economical transmission system since this ability facilitates the coordination and the carrying out of strategic planning and forecasting of the electricity transmission system.

2.229 We could expect the benefits to the electricity transmission system to materialise sooner compared to CMP434, because CMP435 is applied to a considerable number of contracts earlier than will be the case for CMP434. The existing contracted background, based on a *first come, first served* approach can delay the connections of projects that are more developed but are positioned behind projects that are not progressing, by holding network capacity and requiring reinforcement works. This could therefore delay projects that meet the readiness requirements under the existing queue (as specified in CMP435) and future projects (as specified in CMP434) from connecting. The implementation of CMP435 and application of the Methodologies would result in the existing queue being streamlined and in so doing, creating the opportunity for a better rate of connections leading to a more economic and efficient discharge of obligations. We believe that the general changes to the contracted background proposed to be introduced in CMP435 should be implemented because this would set out new obligations on Users, improving the efficiency of the reformed connections process over

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the status quo. Given the nature of the detail that is in the Methodologies we do not think that codification of the Methodologies is appropriate, we believe the Methodologies should be in NESO ownership and have greater flexibility to change (subject to Authority approval).

2.230 Considering Workgroups and Panel views about the lack of involvement in the formation of the Methodologies and potential that codification leads to a more efficient market design, we requested NESO to consult on the content of Methodologies in their first and future iterations. Furthermore, we expect NESO will continue engagement with industry and stakeholders even outside the governance process surrounding the Methodologies. This would allow optimal levels of engagement and market design and investors views to be considered. The use of Methodologies would allow NESO to act quickly to ensure the effectiveness of TMO4+ reform and to adapt to changing circumstances in the GB energy system.[114]

2.231 We have also considered stakeholders concerns that the Methodologies could cause loss of confirmed connection rights for mature projects. We believe this aspect would be mitigated by the protections proposed by NESO in the Gate 2 Criteria Methodology for specific project categories,[115] which has been published after the CAC of CMP435.

2.232 Therefore, we consider that Element 1 would better facilitate achievement of ACO (a), since it would improve NESO's ability to fulfil its obligations to promote an efficient, co-ordinated and economical transmission system.

Element 3: Clarifying which projects go through the Gate 2 to Whole Queue Process (Primary Process)

2.233 On Element 3, we consider that this will better facilitate the achievement of ACO (a) when compared to the status quo.

[114] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, at page 48.
[115] As set out in Gate 2 Criteria Methodology, pages 35-41.

2.234 Element 3 clarifies what projects are in scope of the primary process and we expect it will be a considerable portion of the current connections queue. The primary process is expected to result in improvements to the processing of connections applications by NESO and TOs, through batched assessments that will allow licensees to take a holistic view with the best available information. Applied to the contracted background this would result in greater efficiency for the transmission system compared to the status quo. This would therefore better facilitate the achievement of NESO duties in relation to the promotion of an efficient, co-ordinated and economical transmission system.

2.235 Furthermore, the existing connections queue would be reorganised and formed by projects that meet readiness criteria and are aligned with strategic plans, or are otherwise protected.[116] This is a considerable benefit over CMP434, which could be only applied to new projects absent CMP435. This would maximise the scope of the Primary Process, allowing NESO to take the most holistic view possible of the electricity transmission system, readjusting a connections queue based on readiness and alignment with strategic plans such as CP2030 Action Plan. In turn this would allow TOs to do batched assessments and further optimise the queue of many contracted projects (more than CMP434 alone could from implementation). This end result is an improvement over the status quo and better facilitation of NESO's duty to promote an efficient, co-ordinated and economical transmission system.

2.236 Projects subject to CMP434, will be considered against the existing contracted background. A reformed existing connections queue (as intended in CMP435) made up of projects that meet specific readiness requirements and are aligned with Clean Power 2030 would be smaller in size and comprise of projects readier to connect compared to the current queue.[117] This would ultimately allow new projects under CMP434 to receive better connections dates if there is a streamlined connections queue, compared to the

[116] We note that NESO is considering protecting specific categories of projects, as set out in the Gate 2 Criteria Methodology (pages 35-41). This is to avoid unintended consequences that would undermine investors' confidence.
[117] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, which suggests that the combined connections queue of transmission and distribution networks, following application of readiness and strategic alignment criteria to the existing contracted background could be 267 GW, as opposed to the 753 GW of projects across transmission and distribution as of December 2024. Ofgem, *TMO4+ Impact Assessment*, February 2025, at pages 7, 28.

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connections dates they will receive if the connections queue is not readjusted. Therefore, we anticipate overall system benefits in the electricity transmission system and lower network build costs [118], which will better facilitate NESO's obligations over the status quo to promote an efficient, co-ordinated and economical transmission system.

2.237 After the CMP435 Gate 2 to Whole Queue Exercise, the resulting connections queue would be more streamlined and potentially require less reinforcement works to connect projects, as compared to the status quo. This should ultimately allow NESO and TOs to discharge their obligations to promote an efficient, co-ordinated and economical transmission system.

2.238 Overall, we consider Element 3 would better facilitate the achievement of ACO (a).

Element 9: Project Designation

2.239 As noted in Element 9 of ACO (a) of the CMP434 minded-to analysis, the PDM has been separately assessed by the Authority in our minded-to decision on the Project Designation Methodology. The legal text notes that Existing Agreement Requests[119] will be processed in accordance with the Project Designation Methodology.

2.240 In line with the discussion for Element 9 of the CMP434 analysis, also in the legal text of CMP435 there are links and reference to the concept of PDM and this is seen as a tool to promote an efficient, coordinated and economical system. In reviewing the implications to introduce the PDM, we expect that this element would better facilitate achievement of ACO (a), because it would provide NESO with a tool that improves the promotion of an efficient, coordinated and economical transmission system. This is ultimately expected to allow NESO to fulfil its obligations more efficiently.

[118] This is also indicated in Ofgem, *TMO4+ Impact Assessment*, February 2025, page 58.
[119] Under this modification proposal, these are the requests that projects in scope of CMP435 have to submit to be given the status of Gate 2 Existing Agreements.

2.241 Overall, we consider Element 9 would better facilitate achievement of ACO (a).

Element 10. Connection Point and Capacity Reservation

2.242 For Element 10, we consider the main difference between CMP434 and CMP435 relates to the greater scale of benefits and/or potential that potentially arise from the approval of CMP435, having regard to the large number of projects that CMP435 would apply to.

2.243 The Reservation power is intended to help avoid cases where connection points and capacity are allocated only to projects which have met the Gate 2 criteria, but that NESO would need to reserve specific projects that would be unable to reach Gate 2 if the connection capacity is indicative or conditional. It is understood that this Reservation power will be used to protect the integrity of the coordinated network design. If Reservation is also applied to the contracted background, it would maintain a diverse and more secure energy generation mix. This would also reduce the risk that some technologies are undersupplied, because specific projects can progress towards the achievement of Gate 2. Considering CMP435, Reservation could be utilised for current projects such as interconnectors and Offshore Hybrid Assets (OHAs)[120] to avoid scenarios where these Users find themselves unable to meet the Gate 2 criteria until they have a confirmed connection site, yet equally cannot know their connection point until having met the Gate 2 Criteria (namely ahead of seabed leasing rounds).

2.244 We consider that facilitating the connection of these existing projects that could be negatively impacted by the "Gate 2 to Whole Queue" exercise will maintain energy security and network coordination. As this Element aims to balance the potential negative effects or prevent unintended consequences for the transmission system. We believe NESO, will use this discretionary power sparingly to promote and maintain the integrity of an efficient, co-ordinated and economical transmission system. We also understand that NESO would agree the length of the Reservation period with Users, avoiding this capacity to be held permanently to the detriment of other Users.

[120] Offshore Hybrid Asset (OHA) is a particular technology that allows offshore wind and interconnectors to work together as a combined asset.

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2.245 Overall, we consider Element 10 would have a net neutral impact on better facilitating the achievement of ACO (a).

Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved.

2.246 Considering the aspects of Element that are the same as CMP434, the same considerations discussed above apply to CMP435.

2.247 On Element 11, we consider this can be divided into two components. The first, on setting out the criteria for demonstrating Gate 2 has been achieved, is contained within the Gate 2 Criteria Methodology document. This has been separately assessed in our Gate 2 Criteria Methodology minded-to decision.

2.248 This being said, there are links and references in the CMP435 legal text to the Gate 2 Criteria Methodology, and the concept of introducing this Methodology is included within CMP435. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 11 would better facilitate achievement of ACO (a) than the status quo. This is because the concept of a Gate 2 Criteria Methodology would allow NESO to set out the criteria to have a connections queue that is based on readiness, aligned with CP2030 Action plan and future strategic energy plans, and in accordance with PDM and CNDM. This would then give NESO, in pursuing achievement of ACO (a), the ability to optimise the connections process in line with what is needed to promote an efficient, coordinated and economical system.

2.249 The second component of Element 11, on setting out the obligations imposed on parties that have met the Gate 2 criteria (ongoing compliance requirements), are contained within the code modification legal text. As such, these obligations are assessed against the ACOs in this document. We consider the ongoing compliance requirements will better facilitate the achievement of ACO (a) than the status quo.

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2.250 The proposed amendments to Milestone M1 and M3 would ensure that existing projects that meet Gate 2 do not hold capacity if they are not progressing. These amendments would allow NESO to assign network capacity more effectively, and that projects which meet Gate 2 are incentivised to actively progress through the project development life cycle to avoid risk of termination. This would have increased benefits for efficiency in the transmission system. We expect that applying the requirements for ongoing compliance to the existing contracted background could have greater benefits than CMP434 existing alone because this would also apply to any existing projects in scope that would receive a Gate 2 modification offer (i.e. the cumulative effect of approving CMP435 could increase the benefits). These aspects of the proposal will better facilitate NESO's obligations over the status quo to promote an efficient, co-ordinated and economical transmission system.

2.251 The potential for network capacity to be freed up and optimised, based on the projects eligible to have a queue position, should allow NESO to better promote, maintain and develop an efficient, co-ordinated and economical transmission system when compared to the status quo[121], therefore better facilitating the achievement of ACO (a).

2.252 We recognise that some stakeholders believed that the gated process set out in the Original Proposal of CMP435 focusing on land rights could not be uniformly applicable. We believe that ensuring that projects have sufficient acreage to install the requested capacity is a good indication of project commitment that most contracted and new projects would be able to demonstrate. Furthermore, the land right control is reinforced by the requirements imposed on the ORLB provisions to demonstrate sufficient acreage for the project at each queue management milestone. We expect that this would incentivise projects to progress with minimal changes and would maintain a more viable connections queue.

2.253 Overall, we consider Element 11 would better facilitate achievement of ACO (a).

[121] As set out also in Ofgem, *TMO4+ Impact Assessment*, February 2025, page 109.

Element 13: Gate 2 Criteria Evidence Assessment

2.254 Considering the aspects of this Element that are the same as CMP434, the same considerations discussed above apply to CMP435. This means that the introduction of Gate 2 declaration checks is seen as a positive step to ensure that projects showing a sufficient level of readiness are given the opportunity to receive a Gate 2 Modification Offer.[122]

2.255 Existing projects can also request an advanced connection date or reduce the network capacity of projects, so that projects that have not sufficiently met the requirements for all the network capacity they originally contracted for, will have an opportunity to be assessed to get a Gate 2 Modification Offer at a reduced capacity. These aspects are seen as a positive improvement compared to the status quo since this makes the connections process more efficient, which can assist NESO to promote a more efficient, co-ordinated and economical transmission system that enables faster connections. Efficiency is improved because:

- customers that can connect faster than the date previously agreed in the existing contract can propose an earlier date, and
- projects that do not meet the requirements for the capacity originally contracted for can apply for capacity reduction, therefore using less network capacity and progress towards energisation for the land acquisition they have invested in as evidenced in the Gate 2 declaration. In this way Users won't risk receiving a Gate 1 offer and the network company does not have to plan for all the capacity originally contracted.

2.256 In light of the above considerations, we see this Element as better facilitating the achievement of ACO (a), as it allows NESO to promote a more efficient co-ordinated and economical transmission system, compared to the status quo.

[122] This is the equivalent of a Gate 2 offer under CMP434, which applies to existing agreement that have submitted an existing agreement request. Under CMP435, eligible existing agreements will be converted to the equivalent of Gate 2 offers via modification application process.

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2.257 Overall, we consider Element 10 would better facilitate the achievement of ACO (a).

Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)

2.258 The CNDM has been separately assessed by the Authority in our *Minded-to Decision: Connections Network Design Methodology*. This being said, we consider Element 16 of CMP435 mirrors the impact of that of Element 16 of CMP434. To this end: there are links and references in the CMP435 legal text to the CNDM, and the concept of introducing this Methodology is included within CMP435. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 16 would better facilitate achievement of ACO (a) than the status quo. This is because the concept of a CNDM creates a transparent framework and process which NESO and TOs will follow to promote an efficient, coordinated and economical system.

Element 19: Contractual changes

2.259 In general terms, similar to the position in respect of other Elements, this Element will ensure that the scope of the Primary Process is maximised for the existing contracted background, allowing NESO to take the most holistic view possible of the electricity transmission system, readjusting a connections queue based on readiness and alignment with strategic plans such as CP2030 Action Plan, that in turn would allow TOs to do batched assessments and further optimise the queue of many contracted projects. The main objective of this Element is to allow the existing contracted background in scope to have either a Gate 1 variation contract via an Agreement to Vary or a Gate 2 variation contract via modification offer.

2.260 Element 19 is only part of the CMP435 proposal. It covers the contractual changes for the projects in scope of CMP435.[123] It classifies customer categories that would be

[123] Contractual changes relative to the relationship between embedded generators and their respective DNOs are not in scope of CMP435.

subject to contractual changes explaining also what Users, NESO and distribution operators would need to do and implications for Users.

2.261 We see this Element as essential to finalise the outcome of the "Gate 2 to Whole Queue" Exercise and enable the benefits for the projects in scope, allowing customers to have contractual positions based on the checks and requirements put in place by other elements of CMPs 434 & 435. This element will therefore better facilitate NESO's obligations over the status quo to promote an efficient, co-ordinated and economical transmission system.

2.262 We expect this element to better facilitate the achievement of ACO (a) because it will enable NESO and network companies to promote, maintain and develop an efficient, coordinated and economical transmission system, through a one off exercise. Under the status quo, every connection agreement contains a confirmed connection date and point, indicating the necessary construction works. This is the case even if the project is not developed enough – though projects can be terminated if they do not meet their project progression milestones accordingly. Following the Gate 2 to whole queue exercise instead, only the Users that meet the Gate 2 criteria will receive the status of Gate 2 existing agreements, therefore maintaining confirmed connection date and connection point. The necessary construction works would be assessed in batch and all these elements of the connection offer would be reflected in the new contractual position.

2.263 Element 19 would set out:

- the expectation for project developers to receive a contractual position and confirmed queue position (if the project is eligible), and
- the obligations for network companies to provide connection offers either for Gate 1 or Gate 2 variation contracts, as set out in the proposed licence conditions.

2.264 Furthermore, because the existing connections queue will be readjusted and all existing projects in scope would have a connection agreement either containing the elements of

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a Gate 1 or Gate 2 offer, we consider there would be an overall positive benefit for the promotion, development and maintenance of an efficient, co-ordinated and economical electricity transmission system, better facilitating the achievement of ACO (a) accordingly. This would occur because the existing connection queue, would be made up of projects that have accepted a Gate 2 Modification Offer, showing that they are sufficiently ready and aligned with strategic energy plans. In turn, network capacity will be re allocated according to queue position but for projects that meet specific requirements. This would better facilitate the achievement of ACO(a) compared to the status quo, because currently the connections queue position is based on who applied first, with reinforcement works and allocation of spare network capacity allocated on that basis.

2.265 We considered the Workgroup and Panel views about the lack of detailed debate on the impact on costs. Under CMP435, an Existing Agreements Request would be treated as Modification Application. Under the status quo, a Modification Application requires Users to pay a fee. The legal text of CMP435 ensures that contracted projects will not require Users to pay an application fee to submit their Existing Agreements Request. However existing projects requesting advancement or capacity termination are subject to pay fees, application fee and termination charge respectively.

2.266 Our assessment of the wider costs implications associated with the proposed package of reforms is set out in our *TMO4+ Impact Assessment.* This shows that the main impact on costs resulting from TMO4+ is associated to abortive costs incurred by network companies that would need to be recovered, especially in the absence of securities that have been returned to Users that receive the status of Gate 1 Existing Agreements.[124] Ofgem recognises the importance of monitoring abortive costs and put in place mitigations measures to protect consumers. Considering the operational cost of "Gate 2 to whole queue" exercise, this is expected to be £8m.[125] In our view these costs are outweighed by benefits of improving the efficiency of network delivery, which should lower network costs and will better enable achieving Clean Power by 2030.

[124] Ofgem, *TMO4+ Impact Assessment*, February 2025, from page 67.
[125] Ofgem, *TMO4+ Impact Assessment*, February 2025, page 69.

2.267 Overall, we consider Element 19 would better facilitate the achievement of ACO (a).

Element 20: Transitional Arrangements and Cutover Arrangements

2.268 This Element covers cutover arrangements – transitional arrangements are considered out with scope of CMP435. NESO has proposed a cut-off date, which is a non-calendar date suggested as a new definition in Section 11 of the CUSC and defined as "EA Cut Off Date". This is the date on which projects would be categorised as Existing Agreements for the purposes of Section 18 of the CUSC. Any application submitted beyond that date would be considered part of the CMP434 regime and processed accordingly. The legal text of CMP435 set this period at 23:59 on the date before the CMP435 Implementation Date.

2.269 The cut-off date should ensure efficiency and coordination across the transmission network as it would be clear what regime applies in respect of the agreement, facilitating NESO's obligations to promote an efficient, co-ordinated and economical transmission system.

2.270 Overall, we consider Element 20 would better facilitate the achievement of ACO (a).

WACM1: Introduction of a pause for market self-regulation before the ESO/TO undertake the network assessment

2.271 WACM1 shares the same Elements as described in the Original Proposal above, with the exception that it introduces a Pause for applicants to review information about the status of other projects published by NESO in an Existing Agreements Register.

2.272 All the considerations made in the Original Proposal would apply to WACM1, since it proposes to publish specific information on projects that have met Gate 2 (connection point, completion date, installed capacity and technology type) and have a pause during which existing contracted Users can update their decisions about the existing

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agreements request or withdraw their application. We consider this WACM would better facilitate ACO (a) than both the Original Proposal and the status quo.

2.273 The publication of information is expected to deliver benefits to existing connections applicants, giving them best information and allow them to evaluate the prospect of their project based on information about other projects. We expect that this choice would better facilitate the achievement of NESO's obligation to under ACO (a). This is because we anticipate it would make the connections process more transparent and informed from a User perspective, since Users will have better visibility of the status of the queue and could decide the optimal choice for their project - including advancement or withdrawal.

2.274 Furthermore, after the pause and assuming project developers had made opportune choices about their applications, NESO and Transmission Owners should have a more robust basis to design the batched applications that would receive a Gate 2 Modification Offer. This should better facilitate their obligations under ACO (a) because a more reliable connections queue is expected to improve the efficiency of the transmission system and the optimisation of connection assets costs.

2.275 We expect that WACM1 will likely lead to a more robust and optimised connections queue overall, since the opportunity for Users to update their decisions will increase the likelihood that 1) eventual connection dates offered can actually be met by those Users and 2) that capacity is most efficiently allocated in accordance with User desires and abilities (which is especially important to get right in the first instance, noting the Gate 2 to Whole Queue exercise only occurs once).

2.276 The benefit of having a reformed connections queue with more project certainty introduced by WACM1 would have a consequential positive impact on promoting a more efficient, coordinated and economical transmission system, such that the decisions NESO and TOs make can be more certain as well. This is the case, because projects that make more informed decisions are more certain to complete their development. In

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turn, this would allow TOs to make investments in network build with more certainty because the likelihood of projects to progress towards completion is higher.

2.277 We recognise that the benefit in impact of WACM1 is dependent on User behaviour in response to the publication of the Existing Agreement Register. For this reason, whilst the outcome is not certain, we consider it is better to instil the Pause and provide this opportunity for Users to benefit from the transparency of information about the status of other projects, as to do this creates the possibility of Users benefitting from this information. Should any Users take a different course of action in response to the Existing Agreements Register, we consider this would better facilitate achievement of ACO (a) than the Original Proposal.

2.278 We also recognise the impact that WACM1 would have on the implementation timing. The introduction of a pause would add time to an already compressed timescale for all offers to be reissued. We recognise that this may put the end-2025 timetable at risk, which we will explore further with NESO and Network Companies, but believe the benefits it could provide is an acceptable trade-off on implementation timescales.

2.279 On balance, we therefore consider WACM1 is likely to better facilitate achievement of ACO (a) than the Original Proposal and status quo.

Original Proposal – *(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity*

Workgroup and Panel Views

COMMON VIEWS ON THE ORIGINAL PROPOSAL AND WACM1

2.280 Regarding both proposals, there was a concern that the final package of CMP435, Methodologies and financial instruments not being assessed by the workgroup meant that it was not clear what their impact would be on different projects, and whether it would harm viable and needed projects' ability to proceed.

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2.281 One wanted the designation power to extend to applicants with Government designated status eg demand projects. Another view was that projects that have met Gate 2 with transitional arrangements should apply for accelerated connections since all firm and transition offers should be treated equally in queue management. Some wanted the process of seeking advancement, reducing capacity or removing technology type to meet gate 2, to be clearer.

2.282 Another view was that the transition period was too short which could damage the viability of otherwise sound projects should they attempt to secure compliant land agreements when the requirements are further modified. Another concern was that strategic alignment might see winners unfairly picked; that a lack of codification was seen as unfairly raising the barrier to entry through complexity; or that it undermined investor confidence and that queue management was sufficient.

2.283 A point raised was that not enough consideration was given to project types which don't fit into neat categories; that capacity reservation or project designation were unfair; that there was a lack of clarity for how multiple tech will meet the gate 2 criteria; that the timings for this activity were not clear which would bring uncertainty and challenge to developers trying to navigate this new process; and finally that it was unfair to charge Users who apply for advancement an application fee.

2.284 The issue of embedded projects being unfairly treated was raised multiple times. Specifics raised were that such projects rely on DNOs or iDNOs to submit project progression to the NESO and it was believed that they should be able to use their original acceptance date with the DNO for the project reference date to avoid discrimination, or that DNOs should be able to assign embedded projects in their region with equal criteria to transmission. Another was that the extra administrative burden of the new process is unfairly difficult on small projects, whichare most likely to be embedded. A final view was that embedded projects will struggle to process their application in time.

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2.285 One view felt the opposite, that embedded projects had been unfairly advantaged by transitional arrangements as directly connected projects would receive transitional offers whilst embedded projects would receive a full offer[126]. Similarly, there were concerns for projects not part of the transitional arrangements (project progressions, modification applications and BEGAs/BELLAs[127]) which are still processed as BAU.

ORIGINAL PROPOSAL

2.286 There were views that the Original Proposal better facilitates the achievement of ACO (b) by providing the foundation of the new process, which by allowing the queue to be made up of readier and more viable projects who can connect more quickly, facilitates effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity. There was a view that this would also introduce positive additional competitive pressures to developers to progress more quickly.

2.287 When comparing the Original Proposal to WACM1, there were views that the Original Proposal of CMP435 did not better facilitate the achievement of ACO (b) since no quantitative assessment was undertaken, only procedural/modelling, which means it is hard to assess if any distortion is due, or un-due; concern that smaller developers were at risk of making financial investments to secure legal agreements ahead of Gate 2 by Q2 2025, but then risk being in an area that was oversubscribed; and that while espousing the long-term benefits on competition, there was a concern that the Original Proposal may have a short term negative effect on investment during implementation since it will potentially pause investment in projects for 12 months.

WACM1

[126] As set out in our 'Ofgem Transitional Arrangements Decision' letter, published on 21 August 2024.
[127] Bilateral Embedded Generation Agreement (BEGA), is an agreement for embedded generators that require access to the transmission network. A BEGA will provide a generator with transmission entry capacity (TEC).
Bilateral Embedded Licence Exemptable Large Power Station Agreement (BELLA), is an agreement for embedded generators that are 'large' and smaller than 100MW, and is only applicable in Scotland. A BELLA will not provide a generator with explicit access to the transmission network, and it will be exempt from obtaining a generation licence. Both type of agreements will contract with NESO and will also require a corresponding connection agreement with the DNO.

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2.288 One opinion was that WACM1 might have limited value for competition, but this was outweighed by the increased time and complexity added, or that the WACM1 supposed benefits to ACO (b) were only theoretical at this stage. One view was that there needs to be greater clarity in WACM1 regarding the process for embedded projects; another that WACM1 didn't provide enough information to properly inform customers, thus risking uninformed decision making.

Our view

Original Proposal – *(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity*

This section provides our analysis of the Original Proposal and WACM1 against ACO (b). It lays out our assessment of each Element of the Original Proposal and WACM1 separately.
We consider that the Original Proposal would better facilitate ACO (b) than the status quo. It will bring most of the existing contracted background into the primary process and thus apply the same standards for all connection customers – which would be beneficial for competition. It could also accelerate connections for a Gate 2 eligible project by removing those in the existing queue who cannot meet the Gate 2 Criteria. We believe that Elements 1, 3, 11 and 19 would better facilitate ACO (b) than the status quo. Elements 9, 10, 16, and 20 would have a neutral effect, and Element 13 would negatively facilitate ACO (b).
Overall, we consider that WACM1 best facilitates ACO (b) when compared to the status quo and the Original Proposal. WACM1 has the same benefits as the Original Proposal, and adds greater transparency for customers when utilising the Pause to assess the best data available, which could result in projects making the most informed and competitive decisions.

Element 1: Proposed Authority approved Methodologies and NESO guidance

2.289 Considering Element 1 in CMP435, the same analysis and considerations made for ACO (b) under CMP434 will apply for CMP435, with the additional consideration that CMP435 increases the scale of projects impacted, since it applies to the contracted background

in scope. Therefore, we consider the Methodologies being contained outside the codes would be appropriate, as providing more autonomy to NESO is suitable given NESO's role and responsibilities with regard to ACO (b). Given the contents of the Methodology documents, it is right that the Methodologies themselves are solely authored by NESO, so that it may make the right decisions for the connections process as and when needed.

2.290 The adoption of Methodologies (with NESO as sole author) would be a means of securing more efficient updates to the connections process in future, such that connections customers and consumers ultimately see the benefits of any subsequent updates more efficiently. This could have positive impacts on competition, since Element 1 would reduce as far as possible the delay between a change to the connections process being identified as needed, and that change being implemented.

2.291 We consider that the Methodologies being contained outside the codes would be appropriate, as providing more autonomy to NESO is suitable given NESO's role and responsibilities with regard to ACO (b).

2.292 We considered stakeholders views that the impact of the Methodologies is unknown and could impact the viability of projects. We consider NESO to have taken a reasonable approach that considers protections for existing Users to minimise the impact on project viability, by granting protections as proposed in the Gate 2 Criteria Methodology for specific project categories, and which has been published after the CAC of CMP435. We also expect that Methodologies would ensure that the contracted reformed queue is made by the most viable projects to achieve GB net zero ambitions while maintaining a competitive and diverse energy mix.

2.293 Therefore, we consider Element 1 would be likely to have a positive impact on ACO (b).

Element 3: Clarifying which projects go through the Gate 2 to Whole Queue Process (Primary Process)

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2.294 We consider that, on balance, this element would better facilitate achievement of ACO (b) than the status quo.

2.295 We acknowledge that Existing Agreements can only apply once within the Existing Agreement Request Window to have their applications assessed against the Gate 2 Criteria confirming the connection date and location in their Existing Agreements (although they could apply to future Gate 2 windows following the process set out in CMP434). It could be argued this could harm competition if an existing project failed to submit their request by the deadline of the Existing Agreement Request Window (or to meet the Gate 2 Criteria), they would receive a Gate 1 Offer (which some may argue would be worse compared to their position under the status quo). We acknowledge that it is anticipated this outcome could occur for many customers.[128] We also expect that Users with greater resources may be less affected by the windowed approach to applications as they can engage more resource to ensure that they are able to meet the relevant deadlines.

2.296 However, we consider the Primary Process (from CMP434) being applied to the existing contracted background would be an overall net positive impact on ACO (b). This is because this would see competition standards elevated for all connection customers – not just new Users. We consider this is a necessary consequence of the raising of the entry requirements to the connections process and is appropriate, proportionate and conducive to better facilitating greater competition amongst connection customers. CMP435 secures the greatest possible benefit to ACO (b) by applying the reformed process to new and existing Users alike. Further, it remains the case that any Existing Agreements that fail to meet the Gate 2 Criteria during the Gate 2 to Whole Queue exercise would still be made an offer: a Gate 1 Offer. We consider on balance this would provide Existing Agreements with suitable opportunity to benefit from the Primary Process during the Gate 2 to Whole Queue process (those that are able to

[128] As set out in Ofgem, TMO4+ Impact Assessment, February 2025, which suggests that the combined connections queue of transmission and distribution networks, following application of readiness and strategic alignment criteria to the existing contracted background could be 267 GW, as opposed to the 753 GW of projects across transmission and distribution as of December 2024. Ofgem, TMO4+ Impact Assessment, February 2025, at pages 7, 28.

demonstrate the elevated standards of competition via Gate 2 Criteria), whilst simultaneously offering appropriate safeguards.

2.297 Additionally, generation projects that meet Gate 2 Criteria may be able to connect faster and therefore are able to sell and dispatch more electricity faster than would be the case under the status quo, for two reasons:

- Firstly, due to the removal of reinforcement works originally planned for projects that are expected to be removed from the connections queue in the Gate 2 to Whole Queue process.129 This facilitates better planning of network build and allows projects that meet readiness requirements to connect faster if their connection was dependent on reinforcement works that are no longer necessary – better facilitating competition in the generation and supply of electricity. This is expected since CMP435 extends the scope of CMP434 to the majority of the existing contracted background, which means that more projects would be affected by connections reform. Furthermore, it would ensure that more projects are more likely to be able to connect earlier than would be the case under CMP434 alone, since projects under CMP434 could fill the network capacity gaps created through CMP435's Gate 2 to Whole Queue exercise. Faster connections are also expected to better facilitate competition in the sale and dispatch of electricity because they could result in generation of electricity sooner.
- Secondly, due to the possibility to apply for advancement during the Gate 2 to Whole Queue process (as is explored further on Element 13 below).

2.298 We disagree with stakeholders views that embedded generation projects may be unfairly treated under CMP435. We consider that existing embedded generation projects of any technology that meet the Gate 2 criteria and trigger reinforcement works at transmission level, would not be negatively impacted because they would be in scope of CMP435, so that the DNO or iDNO would not have to process their application when CMP434 is implemented. Moreover, we understand that existing

[129] As set out in Ofgem, TMO4+ Impact Assessment, February 2025, which suggests that approximately £5bn of non-attributable reinforcement works could be avoided, page 60.

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embedded projects that do not meet Gate 2 criteria would be treated broadly in line with the Gate 1 Offer process at transmission. Overall, competition in the generation and supply distribution of electricity should improve because more embedded generation projects reliant on transmission level reinforcements could connect faster. This is because other reinforcement works planned ahead of the reinforcements for such embedded generation projects, may no longer be required due to projects not meeting Gate 2 Criteria.

2.299 Overall we consider Element 3 would have a net positive impact as regards the better facilitation of the achievement of ACO (b).

Element 9: Project Designation

2.300 Our CMP434 minded-to analysis of whether Element 9 better facilitates the achievement of ACO (b) is also applicable to Element 9 of CMP435. The only difference is on the scale of projects that NESO could designate compared to what NESO could do with new projects under CMP434 alone.

2.301 In reviewing the implications of introducing this Methodology, we consider Element 9 ought to have a neutral impact on better facilitating the achievement of ACO (b) than the status quo. This is on the basis that this Methodology merely adds a tool which NESO can use in setting the queue order of projects. It in itself does not and cannot increase competition in the generation and supply of electricity: whether the PDM is used or never used, we consider it would have a neutral impact on ACO (b) compared to the status quo.

Element 10: Connection Point and Capacity Reservation

2.302 We expect Reservation, if used sparingly, to equally facilitate effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

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2.303 Our CMP434 minded-to analysis of whether Element 10 better facilitates the achievement of ACO (b) is also applicable to Element 10 of CMP435. This is because Reservation can ensure that projects which otherwise could find themselves indirectly disadvantaged in the gated connections process (eg Interconnectors and Offshore Hybrid Assets ('OHAs'), due to the nuances of acquiring an offshore lease) remain able to competitively seek a Gate 2 Offer. The inclusion of such projects would maintain a secure, competitive and diverse energy mix for GB.

2.304 Therefore, we consider Element 10 to have neutral impact on achievement of ACO (b).

Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved

2.305 Our CMP434 minded-to analysis of whether Element 11 better facilitates the achievement of ACO (b) is also applicable to Element 11 of CMP435.

2.306 We anticipate that Element 11 will better facilitate the achievement of ACO (b) based on the contracted projects that are readier and compete for a rationalised network capacity build which is aligned with CP2030 Action Plan and net zero ambitions. An existing connection pipeline dictated by these criteria would be more competitive and should facilitate ACO(b), ie facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity. A streamlined connection queue allows projects which are able, to connect faster and generate electricity sooner, potentially bringing overall energy costs down to consumers due to reduced network constraints.

2.307 Overall, we consider Element 11 would better facilitate the achievement of ACO (b).

Element 13: Gate 2 Criteria Evidence Assessment

2.308 We expect Element 13 to potentially inhibit the better facilitation of the achievement of ACO (b) if applied to the existing contracted background, compared to the status quo.

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2.309 This is because not all Readiness Declarations would be verified by a single actor (NESO, since DNOs/iDNOs would also verify these) and the legal text sets out the obligation is to use "reasonable endeavours" to undertake a more detailed check. It is foreseeable that, given there are different organisations carrying out the more detailed check on the Readiness Declarations, these will have different levels of resource and ability to carry out the checks. The scale of this risk is amplified in CMP435 when compared to CMP434 because it is applied to the existing contracted background, therefore the totality of projects that could be evaluated to differing degrees of "reasonable endeavours" is magnified.

2.310 The possibility of requesting Advancement or reducing the network capacity of projects to enable connection is seen as a positive improvement to the status quo since this makes the connections process more efficient. Advancement requests would allow existing Users to connect earlier than the date in their original agreement; this could be further benefitted because projects that do not meet the Gate 2 requirements could release network capacity, facilitating competition in the supply of electricity. A request to reduce network capacity would also slightly better facilitates effective competition, because the possibility to reduce network capacity from the original application request would allow some projects to achieve Gate 2 status and connect faster, providing that they can demonstrate they meet Gate 2 requirements for the capacity that has not been reduced. However, there is a risk not all developers are held to same standard through the evaluation of Readiness Declarations since not all are checked by the same actor, posing a greater risk for competition as stated in CMP434 minded-to analysis of whether Element 13 better facilitates the achievement of ACO(b). We will work closely with the Network Companies and NESO through their 'Implementation Hub' to ensure consistency of approach, clear timelines that all parties adhere to, and transparent communication with wider stakeholders.

2.311 In light of the benefits and downsides analysed above, overall we consider Element 13 to not better facilitate achievement of ACO (b), albeit we think can be mitigated through implementation coordination and governance.

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Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)

2.312 Our CMP434 minded-to analysis of whether Element 16 better facilitates the achievement of ACO (b) is also applicable to Element 16 of CMP435. This is because despite the CNDM concept introduced in CMP435 creates a transparent framework to process connections offers and queue position, it is not expected to positively or negatively impact on facilitating the achievement of ACO (b). We therefore consider Element 16 to have a neutral impact on better facilitating the achievement of ACO (b).

Element 19: Contractual changes

2.313 The variation of contracts to a Gate 1 offer may appear to have a negative impact on competition. However, given the current problems around delivery of connections because of the size of the queue, this impact is less than it might first appear. On balance, we consider that competition is improved because those that receive a Gate 2 offer and have a confirmed position in the queue will have much greater certainty about delivery.[130] We expect the rate of connections to be higher than it otherwise would have been which should be expected to better facilitate competition.[131]

2.314 We also expect that network operators would act promptly and process Existing Agreement Requests within the expected timeline and in line with the new obligations which would apply. Furthermore, customers that receive a Gate 1 Offer can apply for a Gate 2 Offer in future applications windows, thereby encouraging parties to develop ready projects to compete in these future windows. A streamlined queue would enable faster connections that facilitate competition as explained in Element 11. For these

[130] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025 from page 91.
[131] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025 at page 21: "*A credible queue of prioritised projects will allow networks to efficiently prioritise, materially increasing their ability to connect at pace, increasing the credibility that they can connect the generation to achieve Clean Power by 2030*." We consider a rationalisation of the connection queue is needed to expand rate of connections, at page 93.

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reasons, overall we consider Element 19 to have a positive impact on the better facilitation of achievement of ACO (b).

Element 20: Transitional Arrangements and Cutover Arrangements

2.315 We expect Element 20 would have a neutral impact on ACO (b). Having a cutover date would not affect competition if existing connections agreements continue to be processed without detriment to any technology, but it would be beneficial from an administrative point of view for finality as to when projects cease to be considered Existing Agreements and the rules for the process set out in CMP434 apply.

WACM1: Introduction of a pause for market self-regulation before NESO/the Transmission Operators (TOs) undertake the network assessment

2.316 We consider that WACM 1 would better facilitate the achievement of ACO (b) than both the status quo and Original Proposal. We can reasonably expect that the publishing of this information will lead to greater transparency in the connections process and equip existing Users with the best data available to make the most effective decisions. This increased visibility is expected to have benefits on competition since the information can enable existing Users to consider whether the withdrawal of their Gate 2 Application is most appropriate in the circumstances. This is a possibility that some existing Users may never have had before and we could expect that Users would improve their decision-making process, leading to more informed investment decisions. Further, we anticipate the publication of the EA Register could lead to existing projects making the most competitive decisions, eg through putting themselves forward for the most ambitious (but achievable) advancement dates.

2.317 We recognise that the benefit in impact of WACM1 is dependent on existing User behaviour in response to the publication of the EA Register. As such, whilst the outcome is not certain we consider it is better to instil the Pause and provide an opportunity for existing Users to benefit from the transparency of information on other projects, as to do this creates the possibility of Users benefitting from this information.

Should any Users take a different course of action in response to the EA Register, we consider this would better facilitate achievement of ACO (b) than the Original Proposal.

2.318 Publishing information about the status of other projects in the EA Register would improve transparency because it gives more visibility of projects that submitted a Gate 2 existing agreement request that is effective. However, we are mindful that whether WACM1 brings the expected improvements over the Original Proposal would depend on how the User uses that information. Therefore, for WACM1 to better facilitate ACO (b) compared to the Original Proposal and the status quo, this would depend on Users taking the most effective actions in response to the information published in the EA Register, and taking decisions they would not have done (nor have been able to do) in the absence of this information.

2.319 Overall, we consider WACM1 would better facilitate the achievement of ACO (b) than both the status quo and the Original Proposal.

(c) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency

Workgroup and Panel view

2.320 We note that for the majority of Panel and Workgroup members[132], as well as respondents to the CAC, their view was that the Original Proposal and WACM1 were neutral as regards better facilitating the achievement of ACO (c) than the status quo.

[132] The Original received 30 neutral votes against ACO (c) and WACM1 received 31 neutral votes against ACO (c).

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Our view

2.321 We agree that both the Original Proposal and WACM1 have a neutral impact on ACO(c) since neither proposal appears to affect compliance with the Electricity Regulation or any Relevant Legally Binding Decisions of the European Commission and/or the Agency.[133]

(d) promoting efficiency in the implementation and administration of the CUSC arrangements

Workgroup and Panel Views

Common views on both proposals

2.322 Both proposals (ie the Original Proposal and WACM1) were seen as positive with regard to administration of the CUSC arrangements, since fewer industry resources would be invested into facilitating connections for projects which will not be built.

2.323 However, some thought that the creation of Methodologies further fragments an already problematic governance environment, missing out on industry's expertise, especially when the current code reforms have been done speedily. Since CMP435 is not an enduring process, there was a worry that the additional administration and the pause during Gate 2 will have a net negative effect on administration efficiency. Some were concerned that the evidence window for CMP435 was not long enough to submit all evidence; or that the system operators would not be able to do the network analysis for the Gate 2 to whole queue exercise in time, which would have knock-on negative effects on ACO (d).

Original Proposal

[133] Please also see our analysis of ACO (c) for CMP434 in response to a Panel Member who stated that their CMP434 voting statement (in the context of CMP435) should be read alongside their CMP435 voting statement. The analysis and views set out at ACO (c) for CMP434 are also applicable here insofar as the Panel Member's views are applicable to CMP435.

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2.324 One member praised the Original Proposal for raising the barriers to entry which would subsequently only see ready and needed projects being processed. This would ultimately would lead to more efficient administration and allocation of capacity, since TOs and NESO would not need to focus their efforts on projects which are not ready to proceed.

2.325 Another stated that since the substantial changes being made are in Methodologies and not the codes, this better facilitation of this ACO (d) was seen as neutral.

WACM1

2.326 One respondent wanted WACM1 to go further and release more data. However, WACM1's sharing of customer data was seen as presenting a complex set of legal challenges to DNOs.

Our view

Original Proposal - *(d) promoting efficiency in the implementation and administration of the CUSC arrangements*

This section provides our analysis of the Original Proposal and WACM1 against ACO (d). It lays out our assessment of each 'Element' of the Original Proposal and WACM1 separately.
We consider that the Original Proposal better facilitates ACO (d) than the status quo. It would create a more streamlined process to governance which can enact changes more quickly. The regular cycle of the Gated process should enable better resource planning for NESO and TOs. While there would be greater resource burdens to process batched applications, this would be outweighed by the general efficiency gains from a higher barrier to entry, reducing wasted resourced on projects that are not viable or needed. We believe that Elements 1, 3, 11, 13, 16, 19, and 20 would better facilitate ACO (d) than the status quo. Elements 9 and 10 would have a neutral effect.
Overall, we consider that WACM1 best facilitates ACO (d) when compared to the status quo and Original Proposal. It will see the same considerations but with a small initial admin burden

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from the pause, but then this will be outweighed by the advantages of having projects better consider their prospects, ultimately eliminating projects which cannot progress.

Element 1: Proposed Authority approved Methodologies and NESO guidance

2.327 Some respondents expressed the view that these reforms have been carried out at pace, therefore the creation of the Methodologies could be problematic. Whilst we acknowledge that CMP435 has progressed on an urgent timetable, we consider this necessary and proportionate to address the scale of the challenge. Further, we consider the Methodologies themselves (although evaluated separately in our respective Minded-to Decisions on them) are robust, and this will remain the case through the new governance arrangements proposed to be put in place via our proposed licence conditions.[134] Therefore, we disagree with the suggestion that the pace at which these reforms have been progressed has any negative impact on the functionality of the Methodologies, or in respect of ACO (d).

2.328 On the contrary, we consider Element 1 would better facilitate the achievement of ACO (d). It would allow NESO to adopt sole authorship of the Methodologies, meaning it could operate more efficiently to keep the connections process up to date in future, which connection customers and consumers could then also benefit from. We consider the benefits described at page 63 above on ACO (d) of CMP434 would also apply here to CMP435.

2.329 Further, this is the case because CMP435 enables the Methodologies that are created in CMP434 in respect of Element 1 to also apply to the existing contracted background. To this extent, this would allow the Methodologies to benefit existing Users. In the context of ACO (d), this would enable the new Primary Process to be applied (the components of which are contained in the three Methodologies) to the existing contracted background more efficiently than would be the case if Element 1 did not exist,

[134] See Ofgem, *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*, February 2025.

therefore allowing these reforms to be implemented on the swiftest timetable possible to the benefit of connection customers and consumers.

Element 3: Clarifying which projects go through the Gate 2 to Whole Queue Process (Primary Process)

2.330 We expect that Element 3 would promote efficiency in the implementation and administration of the CUSC arrangements as this would better ensure a more coordinated network design by applying the Primary Process to the existing contracted background. This is the case as the current date and location of existing customers that have met Gate 2 criteria should not be negatively affected, and there could be the possibility to improve connections dates of existing customers if they choose to advance.[135] This is an additional benefit that goes beyond CMP434 with regard to ACO (d), because existing projects in scope of CMP435 could make the most of being ready by having the possibility to advance their connection date compared to their current connection date.

2.331 We have considered the argument raised in response to the industry consultation that the administrative burden to process a considerable number of applications under the Gate 2 to Whole Queue exercise could be underestimated. Whilst we do expect the administrative burden on NESO and network companies would increase in the short term in carrying out this exercise as part of Element 3, we anticipate that the benefits of this in promoting efficiency in the implementation and administration of the CUSC arrangements in the longer term would far outweigh this short-term administrative cost. This is due to the fact that the Gate 2 to Whole Queue exercise would see the existing contracted background held to the same Primary Process standard as any future customers, which we anticipate would result in a significant reduction in the overall size of the connections queue.[136] This will make the resulting, smaller, queue

[135] Ofgem, TMO4+ Impact Assessment, February 2025 at page 62.
[136] As set out in Ofgem, TMO4+ Impact Assessment, February 2025, which suggests that the combined connections queue of transmission and distribution networks, following application of readiness and strategic alignment criteria to the existing contracted background could be 267 GW, as opposed to the 753 GW of projects across transmission and distribution as of December 2024. Ofgem, TMO4+ Impact Assessment, February 2025, at pages 7, 28.

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much more easy to manage administratively for NESO and network companies in future, which can have benefits for connection customers and end consumers (as the scope for advancements means projects could connect earlier than they otherwise would under the status quo). This is especially the case when taken in conjunction with other Elements of the proposal, including Elements 11, 13, 19 and 20, as these could further lead to an overall more streamlined and efficient connections queue.

2.332 Overall, we consider Element 3 would better facilitate the achievement of ACO (d) than the status quo.

Element 9: Project Designation

2.333 On Element 9, the Project Designation Methodology ('PDM') has been separately assessed by the Authority in our *Minded-to Decision: Project Designation Methodology*.

2.334 Our view of Element 9 on CMP435 largely mirrors that on CMP434: we do not expect the introduction of the PDM would have an impact on better facilitating the achievement of ACO (d) than the status quo. This is because ultimately we would not expect the Methodology, regardless of its utilisation rate, to impact on the date when other customers receive connection offers. Further, although there will be consultation requirements in place before the Project Designation power can be utilised by NESO, we consider the administrative burden of this would likely be offset by the positive impact the designation has on projects that are designated, in respect of ACO (d).[137]

2.335 Element 9 of CMP435 results in the scale of projects that NESO could designate being significantly amplified compared to what NESO could do with new projects under CMP434 alone. We therefore consider Element 9 would have a neutral impact on better facilitating the achievement of ACO (d).

Element 10: Connection Point and Capacity Reservation

[137] The consultation requirement is set out in the Ofgem *Statutory Consultation on TMO4+ Reform related Modifications to Electricity Licence Conditions*, February 2025.

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2.336 Our view of Element 10 on CMP435 largely mirrors that on CMP434: we consider there would be a net neutral impact on better facilitating the achievement of ACO (d) as against the status quo.

2.337 We expect Element 10 under CMP435 could have a proportionately heightened administrative burden (compared to that of CMP434) due to the quantity of projects captured in the Gate 2 to Whole Queue exercise. This being said, we do not consider this would be detrimental to ACO (d) on balance, given this burden would only increase in line with the proportion of projects caught by CMP435 and that warrant Reservation.

2.338 Further, we consider the Reservation power is needed to prevent inefficiency in the CUSC arrangements – without this, certain projects (eg interconnectors or offshore hybrid assets) could be unable to secure a route to a Gate 2 offer. In the event this occurred, this could create additional administrative burden for NESO in handling disputes with these affected parties. Given the quantity of projects that the Gate 2 to Whole Queue exercise will capture under CMP435, it is imperative that the Reservation power exists to protect the route to market for these Users and avoid any disputes or additional burdens that could otherwise exist in the absence of such a Reservation power (due to the quantity of disputes that this could potentially lead to). Whilst there may be a small additional administrative burden to NESO in carrying out the annual review of any Gate 1 Offers with capacity Reserved, this is likely to be offset by the benefit of avoiding any potential disputes that connection customers (in the absence of a Reservation power) could raise for being unable to achieve a gate 2 offer.

2.339 Consequently, we consider Element 10 would have a neutral impact on better facilitating the achievement of ACO (d).

Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved

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2.340 We consider that having some additional requirements that need to be met by contracted Users to have a position in the reformed connection queue could create an additional administrative burden in respect of CUSC arrangements in the first iteration of the reformed process. This is the case as network companies would need to reassess all competent eligible applications to check which of these meet the Gate 2 Criteria, which could be a significant number considering the size of the current queue, in order to reorganise the whole connections queue. However, following completion of the Gate 2 to Whole Queue Exercise, the connections queue would be more streamlined, therefore promoting greater efficiency in the implementation and administration of the CUSC arrangements. There should be improved efficiency in the implementation and administration of the CUSC arrangements because Users could apply to connect once specific gate 2 criteria are met; network companies can then assess applications with the intent to optimise and coordinate the transmission network system based on a more viable (since projects would have secured land rights) and therefore reliable connection pipeline. This would ultimately improve the overall efficiency in the implementation and administration of CUSC arrangements.

2.341 Further, changes to the ORLB could also result in TEC reduction if there is sufficient discrepancy between the installed capacity in the ORLB and the allowed 50% change to that boundary. This would ultimately result in overall positive system benefits and improvements in efficiency in the implementation and administration of the CUSC arrangements, including an increase of spare network capacity or less reinforcement works needed in specific areas because NESO will be able to assign that spare network capacity rather than it sitting with a party unutilised. Similar benefits can also be obtained if customers decide to reduce their TEC or developer capacity as the amount of network capacity is optimised based on the User decisions and demonstration of Gate 2 Readiness. Overall, we consider Element 11 would better facilitate the achievement of ACO (d) than the status quo.

Element 13: Gate 2 Criteria Evidence Assessment

2.342 We expect this Element could bring additional administrative burden to NESO and network companies in the short term, because they would need to assess applications, advancement requests, Readiness Declarations and evidence for a considerable number of projects, given the size of the current connections queue (albeit only those that apply for a Gate 2 agreement)[138]. It is accepted that this burden would be higher than would be the case under the status quo, because in the absence of CMP435, these existing Users would not have any new applications or advancement requests to submit, nor would NESO nor network companies have to check Readiness Declarations and associated Gate 2 evidence. However, despite this initial increased administrative burden associated with the increased processing of these applications and requests, in the long term we expect the process set out in Element 13 would better facilitate and improve efficiency in the implementation and administration of the CUSC arrangements.

2.343 This is the case as Element 13 would lead to a more robust connections queue overall since existing Users are assessed against the Gate 2 Criteria, which is expected to lead to a reduction in the size of the connection queue.[139] This would consequently mean reduced administration for NESO in the long run, as the scope of projects subject to the queue management provisions would be reduced (queue management milestones would only apply to projects that have met Gate 2, under the TMO4+ reforms). Further, the anticipated reduction in queue size through Element 13 – combined with other Elements – could create scope for advancements, which would benefit ACO (d) through allowing connection customers to connect sooner (for their benefit and the benefit of consumers).

2.344 Further, with regard to the duplication check process added by Element 13, although this would be expected to add an administrative burden to NESO in carrying these out (it is the NESO not DNO/iDNOs that undertake this), this is expected to be outweighed

[138] As set out in Ofgem, TMO4+ Impact Assessment, February 2025, at pages 7, 28: 753 GW of projects across transmission and distribution as of December 2024.
[139] As set out in Ofgem, TMO4+ Impact Assessment, February 2025, which suggests that the combined connections queue of transmission and distribution networks, following application of readiness and strategic alignment criteria to the existing contracted background could be 267 GW, as opposed to the 753 GW of projects across transmission and distribution as of December 2024. Ofgem, TMO4+ Impact Assessment, February 2025, at pages 7, 28.

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by the benefits of securing the most progressed and viable projects. Additionally, Element 13 would introduce a more robust assessment and record of project evidence which would encompass all of the contracted connection queue that meets the Gate 2 criteria. This would mean that any future connection applications under the CMP434 regime could be checked more effectively against Readiness Declarations of the contracted background that already achieved Gate 2 status (which includes data and locations of secured land rights). In the absence of this element in CMP435, readiness checks for new connections projects under CMP434 could be harder to verify or less effective.

2.345 The feature of Element 13 which could see Gate 2 applications rejected where projects submit evidence for the same piece of land as a project which already has a Gate 2 Offer, would ensure efficiency in the CUSC arrangements. This efficiency is heightened greater than would be the case under the status quo, by avoiding the possibility that Gate 2 offers can be held for the same piece of land.

2.346 Furthermore, project developers can decide to reduce their TEC or developer capacity and demonstrate Gate 2 Readiness for that reduced capacity, in an attempt to submit an Existing Agreement Request to receive Gate 2 Existing Agreement Status. This promotes efficiency in the implementation and administration of the CUSC arrangements as it gives developers an opportunity to perform these actions without submitting a Modification Application. This could result in overall positive system benefits, including an increase of spare network capacity or less reinforcement works needed in specific areas.

2.347 Overall, we consider Element 13 would better facilitate the achievement of ACO (d) than the status quo.

Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)

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2.348 The Connections Network Design Methodology has been separately assessed by the Authority in our *Minded-to Decision: Connections Network Design Methodology*. This being said, our view of Element 16 on CMP435 largely mirrors that on CMP434: there are links and references in the CMP435 legal text to the CNDM, and the concept of introducing this Methodology is included within CMP435. Therefore, in reviewing the implications of introducing this Methodology, we consider Element 16 to better facilitate achievement of ACO (d) than the status quo. This is because the concept of a CNDM being outside of the codes means that should any subsequent updates be required to this, they can be more efficiently implemented outside of the CUSC arrangements, therefore granting NESO more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements. This will have a benefit for connection customers in the long term as it ensures the enduring robustness of the connections process.

Element 19: Contractual changes

2.349 It is expected that Element 19 would add additional administrative burden to NESO, network companies and CUSC Users at the outset, despite the choice to use existing CUSC contractual tools to convert Existing Agreements into Gated Offers. The Contractual changes would increase the administrative burden in the short term but will be the mechanism to unlock the improved efficiency of the CUSC arrangements in the longer term.[140]

2.350 Element 19 does, however, better facilitate the achievement of ACO (d) overall because using existing CUSC contractual tools to convert Existing Agreements into Gated Offers would be a sensible approach to ensure all Existing Agreements receive a Gated Offer. This would therefore ensure the whole existing connections queue is optimised to unlock the expected longer-term greater system and consumer benefits of the enduring connections reform process, including an optimised queue from which

[140] We also note that both Clause 15.2 of the existing Construction Agreement and proposed section 18.13.6 of the CMP435 legal text for both the Original Proposal and WACM1 recognise that the Authority has the power to vary the CUSC in a way that varies underlying contracts, this addition will better facilitate the achievement of ACO(d) as it will allow the Authority to efficiently implement and administer the CUSC arrangements by varying underlying contracts.

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subsequent gate designs can produce better offers based on projects that have already met and evidenced gate 2 criteria. All these benefits promote the efficiency in the implementation and administration of the CUSC arrangements, for the reasons explained above in Element 3, by creating a more efficient framework to assess and process connections applications compared to the status quo, which is in line with CUSC arrangements. Element 19 would therefore support the other elements of the proposal that facilitate the achievement of those benefits, therefore contributing to the better facilitation of ACO (d).

Element 20: Transitional Arrangements and Cutover Arrangements

2.351 The cutover date provided in Element 20 avoids the connections processes envisaged respectively in CMP434 and CMP435 overlapping and provides clarity to Users about which rules should apply to their applications (ie CMP434 or CMP435). The cutover date also ensures efficiency and coordination across the transmission network, promoting efficiency in the implementation and administration of the CUSC arrangements, since it gives a clear indication of when connections applications cease to be considered Existing Agreements, so that connections applications can be processed unambiguously under CMP434 rules. This clarity would facilitate efficiency of CUSC arrangements over the baseline if CMP434 and CMP435 were approved.

2.352 A generator and TO, responding to the CAC raised concerns for projects not part of transitional arrangements (project progressions, modification applications and BEGAs/BELLA) which are still processed as BAU, de facto being considered existing agreements until the cutover date and impacting an already ambitious timeline for the implementation of connections reform. We consider these specific projects are not likely to have an impact on current timelines due to the safeguards put in place by the cutover arrangements, including the fact that the Authority has decided to allow a pause on connections applications, which mitigates the risk of this situation becoming worse.[141]

[141] For further information, please see: Decision on joint direction and Letter of Comfort requests on cut-over arrangements for new connection applications | Ofgem.

2.353 Overall we consider Element 20 would better facilitate the achievement of ACO (d) than the status quo.

WACM1: Introduction of a Pause for market self-regulation before NESO/the Transmission Operators (TOs) undertake the network assessment

2.354 We expect WACM1 of CMP435 would have a net positive impact on ACO (d). We acknowledge it would bring a small additional administrative task on NESO and distribution companies to set up and maintain the EA Register, however it is expected that the benefits that the EA Register and the Pause would bring would outweigh the costs.

2.355 This is the case as NESO and distribution companies would already be in possession of and evaluating this data – as part of the Original Proposal, when the Gate 2 evidence is assessed – therefore the compiling of this into an EA Register and publishing on NESO website is expected to be a negligible burden. Relatedly, the initial short delay to implementing the batched processing of applications is offset by the net positive impact that will be realised by allowing the market to self-regulate.

2.356 Publication of this information could benefit improved CUSC arrangements through increased transparency of project data, allowing existing Users to have the most up to date information on which to make decisions related to their project and its progression. Publishing information about the status of other projects in the EA Register would improve transparency because it gives more visibility of projects that submitted a Gate 2 existing agreement request that is effective. The transparency of this data and the scope for advancements (which is a possibility under CMP435 but not under CMP434) and withdrawals is expected to have beneficial impacts on connection customers and consumers on ACO (d): were any withdrawals or advancement requests (or updates to initial advancement requests) to be made following publication of the EA Register, this would increase efficiency in the implementation and administration of the CUSC, through securing the most optimised and viable connections queue. This would

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then give NESO, TOs and Users more certainty of the projects in the connections queue and the confidence that the dates requested by Users are deliverable.

2.357 To elaborate, in the event there were withdrawals under WACM1 following publication of the Register, this would reduce the administrative burden for NESO and TOs that would have been associated with developing offers for those relevant projects, thereby increasing efficiency. Any such withdrawals would also increase the scope for accelerations (through there being fewer projects holding Gate 2 Offers and occupying capacity), which could secure quicker energisation and thus positively impact ACO (d).

2.358 Additionally, in the event existing Users made advancement requests (new or updated) in response to the publication of the EA Register, this could also have a beneficial impact on ACO (d) since if it led to the applicant receiving an earlier connection date than would otherwise have been the case, this would lead to connection customers connecting earlier – to the benefit of connection customers and GB consumers.

2.359 Regarding publication of Gate 2 project information, we do not expect the data that would be published to pose any particular risk, since it would be published in a similar fashion to what it is currently divulged in the TEC register, with the difference that the EA register would capture a view of connections at a particular time before the gated design process takes place, to allow Users to make more informed decisions. However, we expect NESO to satisfy itself that the nature and extent of information published is consistent with all of its legal obligations (included but not limited to obligations in respect of confidentiality and competition law) in relation to the treatment of commercially sensitive data and confidential data. To the extent that NESO has any concerns in this regard, we would expect that the information in question is either not published at all or redacted to the extent necessary.

2.360 We acknowledge that whether WACM1 delivers tangible improvements beyond the Original Proposal would be dependent on how Users choose to use the information in the EA Register and whether decisions are made in response to its availability. Whilst we cannot guarantee that Users will behave in this way, we consider it a likelihood that

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this will occur, due to the fact that existing Users would not under the Original Proposal have any idea of how other projects would fare in the new reformed process or how many would have an effective Existing Agreements Request. Further, we consider it is better to instil the Pause and provide an opportunity for Users to benefit from the transparency of information on other projects, as to do this creates the possibility of Users benefitting from this information. Should any Users take a different course of action in response to the EA Register, we consider this would better facilitate achievement of ACO (d) than the status quo and the Original Proposal.

2.361 Overall, we consider WACM1 would better facilitate achievement of ACO (d) than both the Original Proposal and the status quo.

Overall recommendation:

2.362 In light of the outcome of the ACO analysis of Original Proposal and WACM1 of CMP435, since WACM1 better facilitates the ACOs over the baseline and Original Proposal, we are therefore minded-to approve WACM1. The reasons for this are:

- WACM1 contains all of the core features of the Original Proposal that we deem positive against the ACOs, in their application to the existing contracted background: application of Methodologies with core components of the connections process; the Gate 2 to Whole Queue process; a Letter of Acknowledgement requirement; Reservation of capacity for existing projects where there is need; new ongoing compliance requirements on existing projects; duplication checks; contractual changes and more.
- The Pause would allow existing Users to evaluate their project in light of the information published in the EA Register and make the most informed choices in response. This would give NESO and Transmission Owners the most up to date and robust basis to carry out the network design and batched processing of applications, leading to a more viable and optimised connections queue. This could reduce the administrative burden and costs to NESO/TOs, whilst increasing efficiency;

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- The transparency of project data could incentivise the most positive competitive behaviours in the market, for example through a project putting themselves forward for the most ambitious (but achievable) advancement date;
- Greater benefits for connection customers and GB consumers, since the Pause could lead to (due to the quantity of projects and scale of capacity in scope of CMP435) a significant number of projects updating their decision making. This would increase the likelihood that connection dates offered can be met by the most Users, and that capacity is most efficiently allocated in accordance with User desires and abilities (which is important to get right in the first instance, noting the Gate 2 to Whole Queue exercise only occurs once);
- Where updated advancement requests and/or withdrawals were to occur, this could see Users connecting faster than would be the case under the Original Proposal or any of the other WACMs;
- Any withdrawals would increase the scope for accelerations (through there being fewer projects holding Gate 2 Offers and occupying capacity) and any advancement requests made in light of the EG Register could result in earlier energisation – to the benefit of connection customers and GB consumers.

Our assessment against the Authority's Principal Objective and wider statutory duties

2.363 Having reached the overall conclusion that WACM1 of CMP435 best facilitates the achievement of the ACOs in our assessment above, we have also assessed whether its approval is in line with our principal objective and other statutory duties.

2.364 We are minded to consider approval of WACM1 to be consistent with our principal objective of protecting the interests of consumers (both current and future) which includes their interests in the Secretary of State's compliance with the duties in sections 1 and 4(1)(b) of the Climate Change Act 2008 (net zero target for 2050 and five-year carbon budgets). It is our assessment that this proposed modification, as a key part of the connections reform package, is consistent with our principal objective

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by, amongst other things, enabling work to rapidly decarbonise the energy system efficiently - in a manner that avoids an unnecessary overbuilding of the network at additional cost to consumers. We also recognise that decarbonisation increasingly insulates GB electricity consumers from the future risk of further fossil fuel driven price spikes, enhances security of supply and contributes towards sustainable development.[142]

2.365 The package of reforms will promote efficiency and economy on the part of licensees (in particular network companies and NESO in ensuring network build is aligned to what is required for Clean Power 2030 and as such, avoiding unnecessary overbuild of the network that would otherwise be needed for the current queue, and which would entail a slower rate of connections). It will also help secure a diverse and long-term energy supply (less reliant on fossil fuels) and promote economic growth e.g. through more timely connection of demand.

2.366 We have considered whether approval of WACM1 would be proportionate generally and consistent with our obligations under section 6 of the Human Rights Act 1998, particularly with regard to the right to peaceful enjoyment of possessions. We are minded to conclude that it is. Section 15.2 of CUSC Construction Agreements require parties to comply with the CUSC, including any subsequent modifications, such that any property right comprised in the contract is contingent on its terms. Further, our current view is that the proposals are a necessary and proportionate means of seeking to address the issues outlined in the Overarching document. That is so, having regard to the seriousness of those problems, the strong public interest in addressing them and the advantages of those modification proposals over the other available options as an effective means of doing so. We are minded to consider that a fair balance would be struck between the relevant interests involved.

[142] We also note that this furthers the delivery of the policy outcomes in the Strategic Policy Statement as regards reform of the connections regime and accelerated delivery of electricity network to accommodate rapidly expanding and variable renewable generation capacity and demand from low carbon technologies. (Sections 132 of Energy Act 2013).

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Other relevant statutory duties

2.367 In reaching this minded-to decision, we have also had regard to other statutory duties, as more fully described in the Overarching document – applicable to Ofgem, NESO and network companies.

Consultation questions

1. Do you agree with our minded-to position to approve WACM1 of CMP435?
2. Do you expect the Pause for market self-regulation and information published in the EA Register would lead to a different approach taken by projects?
3. Do you have any further remarks, comments or concerns with our minded-to position that you would like us to take into account?

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