Minded-to consultation: System Operator ("SO") – Transmission Owner ("TO") Code ("STC") CM095 – Implementing Connections Reform ('the Proposal')

Minded-to-Position:	The Authority[1] is minded to direct this modification be made
Target audience:	Transmission Owners ('TOs'), National Energy System Operator ('NESO'), Interconnectors, Generators (including embedded generators), Demand, Distribution Network Operators ('DNOs'), Independent Distribution Network Operators ('iDNOs') and Consumers
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.

Executive Summary

We are consulting on our minded-to decision to approve the Original Proposal of CM095. 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 minded-to decisions on CMP434: *Implementing Connections Reform*, and CMP435: *Application of Gate 2 Criteria to existing contracted background*, 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 Ofgem TMO4+ 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 Proposal and any alternatives, the views of NESO as proposer of CM095 (i.e. of the Original Proposal) as well as the views of Workgroup members, STC 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 Proposal and any alternatives against the Applicable STC Objectives ('ASOs') as compared to the status quo, taking into account any views expressed and decide which option best facilitates achievement of the ASOs. Following this evaluation of all options, we conclude that we are minded-to approve the **Original Proposal** of CM095.

We compare our minded-to option (the Original Proposal) for CM095 against the status quo and Alternative STC Modification 1 ('ASM1') and provide our reasoning as to why we consider the Original Proposal better facilitates achievement of the ASOs than the status quo and ASM1. We also provide our assessment of our minded-to option for CM095 against our Principal Objective and 'wider' statutory duties.[2] In reaching this minded-to decision, we have also had regard to other statutory duties, as more fully described in our "*Consultation: TMO4+*

[2] 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.

Connections Reform Proposals --– Code Modifications, Methodologies & Impact Assessment" (the 'Overarching document') – applicable to Ofgem, NESO and network companies.

Whilst this is set out in greater detail below, our rationale for approving the Original Proposal is:

- The Original Proposal contains the core features which we deem positive against the ASOs: creation of STC processes to incorporate the Gated approach with application windows; introduction of the Connections Network Design Methodology ('CNDM') when assessing connection offers and introduction of processes for reservation of capacity in the STC;
- This would allow the TOs and NESO to only commit resource to projects which are more likely to be both ready and viable. Once they do, studying them in batches with the help of strategic plans would create greater coordination and efficiency;
- The facilitation of the CNDM would further assist the above, but also, due to its position outwith the codes, could be updated more quickly by the NESO should any changes be needed yet still be subject to industry input. This would be more efficient and coordinated since the NESO is the overall system operator and the connections network should be designed by the organisation responsible for it;
- Connection point and capacity reservation powers would prevent certain project types which are subject to certain regulatory regimes from progressing as a result of the proposed gated process;
- Competition would be improved overall with a more restrictive but fit for purpose connections process which would ultimately see viable projects get connected more quickly;
- ASM1 would introduce an obligation for NESO to perform a review of methodologies and for TOs to support this review. This ASM was raised to align with CMP434 WACM6 and should only be implemented if CMP434 WAM6 is implemented. Leaving aside the fact that we are minded to approve CMP434 WACM7, we include our assessment of ASM1 against the ASOs below and we are minded to conclude that ASM1 doesn't facilitate the ASOs as efficiently as the Original Proposal.

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

Background to CM095

1.1 The background to the development of the connections reform proposals (of which CM095 forms part) is set out in our Consultation: TMO4+ Connections Reform Proposals - Code Modifications, Methodologies and Impact Assessment.

CM095 Context

1.2 NESO is required under its Electricity System Operator Licence ('ESO Licence') to maintain and operate the STC.[3] The STC governs the relationship between NESO and the Transmission Owners ('TOs').

1.3 In accordance with the ESO Licence, Section B of the STC provides a mechanism for parties to propose changes which they consider better facilitate the achievement of the Applicable STC Objectives ('ASOs').[4] The proposals and any ASMs are reviewed by industry participants through a consultation process, including workgroups, and the process is overseen by the Panel. All STC 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 ASM, the Authority must consider whether the proposed modification and any ASMs set out in the Final Modification Report (the 'FMR') would, as compared with the existing provisions of the STC, better facilitate the achievement of the relevant ASOs (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.[5] This includes (amongst others) consumers' interests in the Secretary of State's compliance with the net zero target and five-year carbon budgets. A fuller description of Ofgem's relevant statutory duties (including the growth duty) is

[3] Condition E4 of the ESO Licence.
[4] The Applicable STC Objectives are set out in Standard Condition B12 of the Transmission Licence and Condition E4 of the ESO Licence.
[5] The Authority's statutory duties are detailed mainly in the Electricity Act 1989 (in particular but not limited to section 3A) as amended.

provided in our Consultation: TMO4+ Connections Reform Proposals -- Code Modifications, Methodologies and Impact Assessment.

The ASOs

1.1 The ASOs against which the options under the Proposal are to be assessed are set out in Condition E4.5(a) – (h) of the ESO Licence and are as follows:

a) *efficient discharge of the obligations imposed upon Transmission Licensees by Transmission Licences and the Electricity Act 1989;*
b) *efficient discharge of the obligations imposed upon the licensee by the Electricity System Operator licence, the Energy Act 2023 and Electricity Act 1989;*
c) *development, maintenance, and operation of an efficient, economical, and coordinated system of electricity transmission;*
d) *facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;*
e) *protection of the security and quality of supply and safe operation of the National Electricity Transmission System insofar as it relates to interactions between Transmission Licensees and the licensee;*
f) *promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;*
g) *facilitation of access to the National Electricity Transmission System for generation not yet connected to the National Electricity Transmission System or Distribution System; and*
h) *compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency.*

The modification proposal: CM095 Implementing Connections Reform

1.2 The Proposal seeks to amend the STC to the extent necessary to work together with the modifications proposed to the Connection and Use of System Code ('CUSC') under CMP434 to implement a revised connections process. CMP434 proposes to move away from a *first come, first served* approach (to connections capacity allocation and reallocation) through putting in place the framework for a *first ready and needed, first connected* process. It would establish a new process for all new applications for connection. The operational detail of the revised process would be set out in proposed new connection Methodologies (required under modifications proposed to the ESO Licence). The CUSC modification proposals would themselves be supported by NESO guidance.[6] The guidance documents are intended to aid readers in understanding in practical terms how the reforms would affect CUSC parties operationally.

1.3 The proposals suggest a reform of the electricity transmission connections process as set out in both the CUSC and STC. The reason for proposing to change the STC specifically is to allow NESO and TOs to facilitate the delivery of the proposed reformed connections process as set out within CMP434. The Proposal would introduce new processes and definitions to update existing processes and enable projects that are most ready to progress more rapidly to connection by facilitating a gated process which would utilise the Gate 2 Criteria Methodology.[7] Without the changes to the STC set out in the Proposal, the proposed reformed connections process cannot be delivered, as the current STC provisions would be inconsistent with the wholesale revision of the connections process proposed within CMP434.

[6] 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.
[7] Gate 2 Criteria Methodology.

Original Proposal

1.4 The CM095 Original Proposal has been divided into three key components. Together, these propose to amend Section D, Section J and Schedule 13 of the STC as follows:

- **Component A:** Defines the obligations and timelines in the STC which are necessary to implement the Gate 1 and Gate 2 processes between NESO and TOs. By describing the steps that both the NESO and the TOs must follow when producing offers, this component would mean that connection offers follow the wider gated process being implemented and thus require projects to pass certain criteria to enter the queue.
- **Component B:** Introduces the requirement for NESO and TOs to apply the CNDM when developing TO Construction Offers ('TOCOs') (Component B). The purpose of the CNDM is to provide an overview of the process that NESO, Transmission Owners (TOs) and Distribution Network Operators (DNOs) would follow when assessing applications to connect generation, interconnection, storage and transmission connected demand that have met the Gate 1 Criteria or the Gate 2 Readiness Criteria.[8]
- **Component C:** Introduces the high-level process by which NESO can reserve connection (or interface) point and/or capacity in the Gate 1 and Gate 2 processes in specific circumstances. This aims to allow NESO to prevent an issue with the proposed new process by which the introduction of the Gate 2 Criteria would unfairly disadvantage certain project types which are part of specific regulatory regimes.[9]

ASM1

1.5 A Workgroup Consultation was issued on 25 July 2024 and closed on 6 August 2024. The Workgroup Consultation received 10 non-confidential responses, and ASM1 was raised.

1.6 ASM1 would oblige NESO to undertake a review of aspects of the reformed connections process that will not be codified under the Original Proposal and instead will be held in

[8] Connections Network Design Methodology (CNDM).
[9] This disadvantage is explained further under Component C of ASO (d).

methodologies (eg the Gate 2 Criteria Methodology). This would be undertaken in parallel with the Gated Review timings of WACM6 of CMP434 after which, the NESO would present their review to the STC Panel and subsequently would seek guidance from the Panel as to whether to codify the methodologies that are pertinent to the STC.[10] ASM1 also places an obligation on TOs to support NESO by providing relevant information required for the review.

1.7 ASM1 may lead to the codification of the methodologies and guidance, which under the Original Proposal will not be codified and will sit outside the STC. It was agreed that ASM1 should only be implemented if CMP434 WACM6 is also implemented since WACM6 is the CUSC equivalent which seeks to oblige NESO to review and possibly codify the same documents.

1.8 Subsequently, a CAC was issued on 8 November 2024 and closed on 26 November 2024. The CAC received six non-confidential responses including one late response. Three confidential responses were also received.

Workgroup views

1.9 The Workgroup concluded by majority that the Original Proposal and ASM1 better facilitated the ASOs than the existing arrangements (status-quo).

STC Panel[11] recommendation

1.10 At the Panel meeting on 20 December 2024, the Panel recommended unanimously that the Original Proposal better facilitated the ASOs[12] than the status-quo, and by majority that ASM1 better facilitated the ASOs than the status-quo. Unanimously, the Panel recommended that the Original Proposal best met the ASOs.

[10] The review will commence 12 months after the start of the first gated process, and the outputs will be published within the next 4 months and presented to the STC Modification Panel within the next 2 months to seek guidance on whether NESO should raise a subsequent code modification to codify.
[11] The Panel is established and constituted from time to time pursuant to and in accordance with section B6 of the STC.
[12] The Applicable STC Objectives are set out in Standard Condition B12 of the Transmission Licence and Condition E4 of the Electricity System Operator Licence.

Send-back

1.11 On 20 January 2025, we sent back the Proposal for targeted further consideration and swift resubmission of the FMR.[13] This was done as the Authority was unable to properly form an opinion on the Proposal, due to a failure to assess a new objective that had been inserted upon the establishment of NESO as well as consideration of minor updates that had been made to a couple of other objectives (to reflect the establishment of NESO on 1 October 2024). The second FMR was resubmitted to us on 29 January 2025 and the additional information provided ensured that we were able to properly form an opinion on the Proposal. In the second FMR, other than the inclusion of responses / votes on the new objective (ASO(b)), the workgroup conclusions and Panel recommendation remained unchanged from the first FMR.

Our minded-to decision

1.12 We have considered the issues raised by the Proposal and both FMRs, including taking into account the responses of the STC Parties to the Workgroup Consultation and both CACs. We have also considered and taken into account the votes of both Workgroup votes and both Panel recommendation votes and our Ofgem TMO4+ Impact Assessment.

1.13 We are minded-to conclude that:

- Implementation of the Original Proposal would better facilitate, than the status quo or ASM1, the achievement of ASOs (a) – (d) and (e) - (g), with a neutral impact on ASO(h);
- Implementation of ASM1 would better facilitate, than the status quo, the achievement of ASOs (a) – (c), (e) and (g), with a neutral impact on ASOs (d), (f) and (h);
- Overall, implementation of the Original Proposal will best facilitate the achievement of the relevant ASOs; and

[13] Authority decision to send back System Operator Transmission Owner Code ("STC") Modification Proposal CM095: 'Implementing Connections Reform' (CM095).

- directing that the Original Proposal be made would be consistent with our principal objective and statutory duties.[14]

1.14 We set out below our assessment against each of the relevant ASOs.

[14] 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.

Reasons for our minded-to decision

Original Proposal - (a) *efficient discharge of the obligations imposed upon Transmission Licensees by Transmission Licences and the Electricity Act 1989;*

Workgroup and Panel view

1.15 Most Workgroup and Panel members (14 of 16) thought that the Original Proposal better facilitated the achievement of ASO (a).[15] In general, the view expressed was that the introduction of a gated process and the batched assessment of applications would lead to more clarity for TOs when creating TOCOs due to more viable projects being assessed, and greater efficiency.

1.16 In terms of ASM1, most members thought that it better facilitated ASO (a).[16] Some members expressed the view that ASM1 better facilitated ASO (a) in that it would introduce a formal review of guidance documents and methodologies by the Panel. Others thought that ASM1 would lead to a process which was too formal and would lack flexibility, therefore becoming less effective. Furthermore, the view was expressed that the transmission licence should set out the appropriate expectations for a review rather than the STC.

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (a). It lays out our assessment of each 'Component' of the Original Proposal and ASM1 separately.
We consider that the Original Proposal better facilitates ASO (a) than the status quo and ASM1. It will introduce a gated approach, enabling batched assessments, which will allow for more holistic, efficiently designed connections and will provide more reliable signals for future investments due to higher entry requirements. The regular timings will be beneficial for TO resource allocation. Use of the CNDM will enable changes to be made more quickly and

[15] See Annex 9 – CM095 Alternative and Workgroup Vote and FMR pages 19 – 21.
[16] 11 positive, 3 negative and 2 neutral.

efficiently than status quo. We believe that Components A and B to better facilitate ASO (a) whereas Component C will be neutral in this regard.
Overall, we consider that ASM1 would better facilitate ASO (a) better than the Status Quo, but not as well as the Original Proposal. This is because potential codification could limit the NESO's ability to more quickly implement any desired changes to the new process.

1.17 In assessing ASO (a), we have considered the TOs statutory obligations, in particular their duty to develop and maintain an efficient, co-ordinated and economical system of electricity transmission under section 9 of the Electricity Act 1989. We consider the efficient discharge of this obligation would be better facilitated by the Original Proposal and ASM1 than the status quo, however the Original Proposal overall best facilitates the achievement of ASO (a).

Component A:

1.18 Component A proposes to introduce a gated approach is expected to facilitate the batched assessment process (as laid out in the CNDM). This would allow for a better understanding by the TOs of connection applications in a particular period and location, to allow them to design connections more efficiently and in a more co-ordinated fashion, preventing interactivity so far as possible. It should also lead to more reliable signals for future investment which would help to ensure that transmission works are delivered more efficiently, since a streamlined queue should increase the rate of connections, ensuring that network build is focussed solely on the connections we need. We expect this may avoid approximately £4.7bn of non-attributable reinforcement projects.[17] Additionally, the more regular timings associated with the gated process should allow for a more predictable workload for the TOs, thus allowing for more efficiency in the development and maintenance of an efficient, co-ordinated and economical transmission system, with improved opportunity to plan ahead and allocate resources to the work needed to process offers.[18] Overall, we find that Component A better facilitates the achievement of ASO (a) than the status quo.

[17] Ofgem, *TMO4+ Impact Assessment*, February 2025, see "Introduction" from page 5.
[18] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, at page 57: *"Under the status quo, a high level of uncertainty about which projects are likely to progress towards energisation (see section on Unclear network build signal above) limits the extent to which network companies can plan and build enabling works in an efficient manner. This has led to a disconnect between the contracted capacity queue and the planned network build."*

Component B:

1.19 Component B proposes to update the STC so that the NESO and TOs would be required by the new process to consider network design as set out in the CNDM when producing connection offers. Currently, network design activities do not need to be considered by the NESO and TOs when producing connection offers. The facilitation of network design provided by this component would positively impact the TOs ability to develop and maintain an efficient, coordinated, and economical [19]. Economic and efficiency benefits would be realised since the CNDM would study projects in batches and consider more optimal, holistic network designs. This would address the status quo inefficiency of *first come, first served* which means that many connection offers are reliant on incremental reinforcement works that often may not be needed due to the high attrition rate (projects in the queue which do not ultimately connect), and that projects are merely studied individually, without consideration of wider strategic plans. Coordination would be positively impacted by the aforementioned holistic view enabling the TOs, alongside NESO, to take a wider view of the optimal enabling network build, and because CNDM signposts interactions with the strategic energy planning processes.[20] This is also supported by our TMO4+ Impact Assessment, which states that 'it is expected that a co-ordinated design will have positive impacts on how efficient and cost-effective network designs are thereby reducing costs for consumers overall, both through reduced capital investment need, and more efficient operation of the system which could reduce constraint costs'.[21]

1.20 Further, we consider the adoption of the CNDM, alongside other Methodologies outside the scope of CM095, to be a means of securing more efficient updates to the connections process in future. This would benefit the TOs in carrying out their obligation to develop and maintain an efficient, coordinated, and economical system of electricity transmission since this new, robust governance framework proposed to be put in place by proposed accompanying licence changes, with NESO as the sole author of the methodologies, which would be simpler to navigate than the existing code modification governance process. The Methodologies approach, of which the CNDM is a

[19] As noted in Ofgem, CNDM Minded-to, at paragraph 65.1-68.1, pages 21 and 22.
[20] As noted in Ofgem, *Minded-to Decision: Connections Network Design Methodology*, February 2025.
[21] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, at page 59.

key part of, would likely mean that should any changes be identified to ensure that the wider reforms process better meets its aims to a more efficient, economical and coordinated system, that the delay between identifying such a change and implementing it would be reduced as much as possible. Additionally, 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 allows for industry scrutiny via open consultation on the Methodologies, and the Authority would maintain ultimate approval rights. In addition, an annual review increases the likelihood of regular foreseeable improvements in the connection process and consequential benefit for the transmission system – which may aid the TOs in fulfilling its obligations more efficiently than under the status quo (which does not have such a comparative regular review process).

1.21 Overall, we find that Component B would better facilitate the achievement of ASO (a) than the status quo.

Component C:

1.22 The Proposal introduces new processes in the STC through which NESO can reserve connection points and/or capacity during the gated process. The provisions for Reservation added by Component C may not better facilitate the achievement of ASO (a), in the event this becomes overused. If the Reservation power was used more than sparingly it could jeopardize some of the benefits of the Proposal, for example, much of the predicted benefits of CM095 and the wider TMO4+ package rely on high entry requirements to the queue, as this gives confidence that resources spent in connecting and planning are not wasted If large numbers of projects with Gate 1 offers were to still be able to have capacity reserved for them then this could undermine the benefits of a more efficient and economic system. That being said, we recognise that Reserved projects would still be assessed before receiving a Gate 2 offer as with any other project, and the Reservation would be timebound so that capacity won't be reserved in perpetuity. We consider this can partially mitigate against the risk of Reservation being used too often, and we think, on balance, largely nullifies the slight potential for Component C not to better facilitate the achievement of ASO (a).

1.23 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')[22] 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 ASO (a).

1.24 Overall, we find that Component C is neutral as regards better facilitating the achievement of ASO (a) when compared to the status quo.

ASM1

1.25 ASM1 was raised to align with CMP434 WACM6 by obligating NESO to perform a review of Methodologies which could lead to their potential codification. We are of the view that ASM1 would better facilitate achievement of ASO (a) than the status quo, but it is not likely to better facilitate achievement of ASO (a) than the Original Proposal. This is because in the event ASM1 did lead to the eventual codification of the Methodologies, NESO would not have sole authorship over the methodologies. This would mean that in the event that urgent changes were required to ensure the effectiveness of the TMO4+ process it would likely be more difficult and slower to achieve than would be the case under the Original Proposal.

1.26 This could lead to ASM1 not better facilitating the achievement of ASO (a) as compared to the Original Proposal as a result, since if any updates to the connections process could not be quickly implemented, this could have a detrimental impact on the efficient discharge of the obligations imposed upon Transmission Licensees by Transmission Licences and the Electricity Act 1989. Since ASM1 could lead to codification in future, we consider ASM1 does not better facilitate achievement of ASO (a) than the Original

[22] Centralised Strategic Network Plan: Consultation on framework for identifying and assessing transmission investment options | Ofgem.

Proposal. This logic can be applied to further ASO's and will be mentioned as such, however, the full reasoning as laid out here will not be repeated for efficiency's sake.

1.27 Overall, ASM1 would better facilitate ASO (a) better than the Status Quo, but not as well as the Original Proposal.

Original Proposal - *(b) efficient discharge of the obligations imposed upon the licensee by the Electricity System Operator licence, the Energy Act 2023 and Electricity Act 1989;*

Workgroup and Panel view[23]

1.28 In terms of ASO (b), most Workgroup and Panel members thought that the Original Proposal better facilitated the achievement of ASO (b) with 13 positive and 2 negative votes.[24] This is mainly due to the fact that the Proposal introduces greater coordination in the development of the transmission system and the production of connection offers which increases efficiency. Furthermore, respondents thought that the Original Proposal allows NESO to comply with its licence by creating a strategic spatial energy plan and a centralised strategic network plan.

1.29 ASM1 received 10 votes that it would better facilitate the achievement of ASO (b), with 2 neutral votes and 3 votes that it would not better facilitate the achievement of ASO (b).[25] Most members were of the view that ASM1 increased the efficiency of NESO.

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (a). It lays out our assessment of each 'Component' of the Original Proposal and ASM1 separately.

[23] The panel and workgroup members did not cast a vote on this objective b) for the original and ASM1 proposal in their original vote as outlined in Annex 9 to the FMR and the FMR. The votes here refer to the updated FMR following send back. Hence, the vote for objective b) in the original FMR is now listed for objective c) and so forth.
[24] Please note that at the second Workgroup vote, one Workgroup Member wasn't present so the total number of votes in terms of ASO (b) is 15 as compared to 16 original votes.
[25] See Annex 16 of the final FMR and CM095 Second Final Modification Report. CM095 - Implementing Connections Reform | National Energy System Operator.

We consider that the Original Proposal better facilitates ASO (b) than the status quo and ASM1. It will introduce a gated approach, enabling batched assessments, which will allow for more holistic, efficiently designed connections. The higher entry requirements will reduce wasted resource on non-viable ones and will support government net zero targets. Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than status quo, and aligns with NESO role and responsibilities. We believe that Components A, B, and C to better facilitate ASO (b).
Overall, we consider that ASM1 would better facilitate ASO (b) better than the Status Quo, but not as well as the Original Proposal. This is because potential codification could limit the NESO's ability to more quickly implement any desired changes to the new process.

1.30 In assessing ASO (b) we have considered NESO's statutory obligations. The Energy Act 2023 outlines the functions and objectives of NESO. In particular section 163 provides that NESO must carry out its functions in the way it considers is best calculated to: (a) enable the Secretary of State to meet the net zero 2050 target and five-yearly carbon budgets ("the net zero objective"); ensure the security of supply, to existing and future consumers, of electricity conveyed by distribution and transmission systems (the "security of supply objective")[26]; and (c) promote efficient, co-ordinated and economical systems for the distribution and transmission of electricity and efficiency (including the efficient use of energy) and economy on the part of persons carrying out certain relevant activities, including electricity generation, transmission and distribution (the "efficiency and economy objective").

1.31 We consider these obligations are better facilitated by the Original Proposal and ASM1 than the status quo, however the Original Proposal best facilitates the achievement of these obligations and ASO (b).

1.32 Component A:Component A, which introduces a new process in the STC to implement the new gated connection process, allows NESO to promote an efficient, coordinated and economical electricity transmission system, by allowing sufficient time to coordinate network design as compared to the status quo where NESO has only 3

[26] In respect of the security of supply objective we believe that this duty has been considered in our analysis of ASO (e). Therefore, please see our analysis on ASO(e) for our views on the security of supply objective.

months to issue offers to customers and considers each connection individually. This means that NESO may not sufficiently consider the whole-system impact of network, and implications of that connection for the network. The new process would support the prioritising of readier and/or more viable projects, supporting the government to meet its net zero targets[27] and lowering wasted resource spent on projects which would not ultimately connect, both of which would also benefit consumers. Further it would prevent wasted resources on processing projects which would ultimately not connect, thus preventing inefficiency. Ultimately this would benefit the consumer, as customers may pay, in part, for any inefficiency through network charges. Overall, the new regulatory framework as being proposed under TMO4+ (of which CM095 is an integral part) would put in place a framework that allows for strategic management of the connections queue appropriate for NESO's role as System Operator and enables a more dynamic management of the connections process to mitigate any future deficiencies before they result in excessive negative outcomes such as is currently being experienced.[28]

1.33 Overall, we find that Component A better facilitates the achievement of ASO (b) than the status quo.

Component B:

1.34 Component B defines the roles and responsibilities in the STC for NESO and TOs when implementing the CNDM. CM095's reference to the CNDM means that the process followed for network design can be updated more quickly in the event that future changes are needed. This is because the new governance framework is likely to be more flexible and easier to navigate than the code modification process, while still maintaining transparency. 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 ASO(b). Given the

[27] As set out in Ofgem, *TMO4+ Impact Assessment*, February 2025, at page 94.
[28] Ofgem, *TMO4+ Impact Assessment*, February 2025, see "Introduction" from page 5.

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.

1.35 In the event updates are required to the connections process in future, it is anticipated that these could be quicker to implement an updated solution via amendments to the Methodologies (that would still be subject to (i) industry engagement via NESO consultations; and (ii) Authority approval via the process envisaged in the proposed licence conditions) than would be the case to require a code modification proposal to do so. This would better facilitate the achievement of NESO's duties to (i) promote an efficient, coordinated and economical transmission system (since they can flexibly update the new governance framework, amending it quickly to avoid an inefficient outcome); (ii) to have regard to the desirability for facilitating innovation (since the methodologies allow quick changes to potentially enable innovation); and (iii) promote the net zero objective (since the network design can keep pace with climate goals and strategic planning eg CP30). This would all benefit consumers through greater efficiency ultimately resulting in lower cost and promotion of net-zero. This is a benefit that ASM1 meets less effectively, given its potential to codify the methodologies.

1.36 Overall, we find that Component B would better facilitate the achievement of ASO (b) than the status quo.

Component C:

1.5 Component C introduces new processes in the STC for capacity and bay reservation by NESO. Overall, the provisions for Reservation added by Component C may better facilitate the achievement of ASO (b). 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 to enable decarbonisation in line with CP30 Action plan and ensure that all types of technologies are able to participate in the connections process (eg offshore assets such as wind and interconnectors), which are likely to promote an efficient, coordinated and economical transmission system. However, there may be some slight

potential for Component C not to better facilitate the achievement of ASO (b) too. If the Reservation power was used more than sparingly it could jeopardize some of the benefits of the Proposal, as described above. However, reserved projects would still be assessed before receiving a Gate 2 offer as with any other project and the Reservation would be timebound so that capacity won't be reserved in perpetuity. This can partially mitigate the risk of Reservation being used too often.

1.37 Overall, we find that Component C would better facilitates the achievement of ASO (b) than the status quo.

ASM1

1.38 ASM1 was raised to align with CMP434 WACM6 by obligating NESO to perform a review of Methodologies which could lead to their potential codification. We are of the view that potential codification as described in ASM1 would better facilitate the achievement of ASO (b) compared to the status quo; however it may do so less effectively than the Original Proposal, since ASM1 would not benefit from the flexibility and efficiency that Component B offers in respect of both the comparative speed and ease with which the CNDM can be changed through the code modification process (for the reasons set out above in ASO (a)). Since ASM1 could lead to codification in future, which we consider would have a less positive impact against ASO (b), we consider ASM1 does not better facilitate achievement of ASO (b) than the Original Proposal.

1.39 We also consider that the Methodologies being contained outside the codes would be appropriate, given NESO's role and responsibilities with regard to ASO (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.

1.40 Overall, ASM1 would better facilitate achievement of ASO (b) than the status quo, but less effectively than the Original Proposal.

Original Proposal - *(c) development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;*

Workgroup and Panel view

1.41 It was thought by workgroup and panel members that both proposals would result in a more coordinated process during the production of TOCOs.

1.42 The majority of workgroup and panel members believed that the Original Proposal better facilitated the achievement of ASO (c).[29] The view expressed was mainly that the Original Proposal introduced clear and transparent rules which provide all parties with greater clarity and hence facilitate the needed rapid development of an efficient transmission network.

1.43 Most members thought that ASM1 better facilitated the achievement of ASO (c) compared to the status-quo.[30]

Our view

1.44 Insofar as ASO(c) covers matters which are already dealt with in ASOs (a) & (b), for the reasons set out at ASOs (a) & (b), we consider the effect on ASO (c) to be the same as for ASOs (a) & (b). Therefore, please see our analysis as regards development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission contained in our analysis on ASOs (a) and (b) for our views on ASO (c). For the reasons set out above for ASOs (a) and (b), we believe that the Original Proposal better facilitates the achievement of ASO (c) than the status quo.

ASM1

1.45 As above, please see our analysis for ASOs (a) and (b). We believe that ASM1 better facilitates the achievement of ASO (c) than the Status Quo, but less effectively than the Original Proposal due to the potential for it to lead to codification of the Methodologies.

[29] 10 out of 16 votes, with 2 being negative and 4 neutral.
[30] 13 positive, 2 negative and 1 neutral.

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

Workgroup and Panel view

1.46 Most workgroup and panel members thought that the Original Proposal would lead to more competition, and therefore would better facilitate the achievement of ASO (d).[31] This was mainly due to the Proposal better facilitating competition by allowing viable projects that are needed and ready to connect to proceed faster. Further, it was noted that the Proposal would be a net positive for investment plans in the long run, due to greater clarity about what would connect. However, there were views that a lack of a quantitative assessment of the costs, benefits, and risks might damage the investment climate, or that the implementation timeline could pause investment for 12 months resulting in a short-term loss. There were also concerns about Connection Point and Capacity Reservation, namely that it would give NESO too much discretion and that there should be a more limited scope with clearly defined processes for transparency and disputes.

1.47 The ASM1 proposal was also seen by workgroup and panel members to better facilitate the achievement of ASO (d), as indicated through their votes.[32]

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (d). It lays out our assessment of each 'Component' of the Original Proposal and ASM1 separately.
We consider that the Original Proposal better facilitates ASO (d) than the status quo and ASM1. The higher entry requirements that the gated process will facilitate will incentivise more robust applications and the most ready projects and will give investors greater confidence that their projects, if ready, will be progressed. Capacity and connection point reservation endeavours to make the process as fair as possible for all project types. However, it does

[31] 14 out of 16 votes with 2 being negative.
[32] 10 positive, 2 negative and 4 neutral votes.

restrict access to market in a general sense. Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than status quo. We believe that Components A, B, and C to better facilitate ASO (d).
Overall, we consider that ASM1 would be neutral as regards ASO (d) because potential codification could limit the NESO's ability to more quickly implement any desired changes to the new process.

1.48 We consider the Original Proposal is positive as regards to better facilitating the achievement of ASO (d) whereas ASM1 is neutral.

Component A:

1.49 Component A defines the obligations and timing changes between NESO and TOs so that NESO can facilitate the two gate process. The advantage of having two gates for competition, compared to the status quo, is that it raises the entry requirements to gain a confirmed queue position, which incentivises applicants to develop robust applications. In this way, it rewards the most ready (and needed) projects by providing them with a queue position that matches their state of readiness.

1.50 However, there is also a negative effect on competition in restricting who can connect to and access the market, since the current system doesn't restrict access in such a way. However, we believe that TMO4+ will give greater confidence to investors in generation and storage projects that are sufficiently progressed. They will have visibility as to whether they would be needed and therefore they are more likely to receive connection dates that they can then invest upon. Furthermore, they would be more assured that networks are building to connect them in a timely manner and that the energy system is working towards a common strategic goal.[33]

1.51 Additionally, the introduction of short, time-limited application windows on two occasions per year could have a slightly negative impact on competition because the windowed approach creates a risk that new investment projects either do not apply or receive a connection offer later than they would under the status-quo connections process. Application windows place pressure on new applicants to have their

[33] Ofgem, *TMO4+ Impact Assessment*, February 2025, from page 94.

applications and evidence submission fully prepared for the upcoming window. In the event they miss this window, the opportunity to apply again would not arise for several months. This could be more restrictive to competition than the status-quo is, since customers cannot apply at any time. .

1.52 Overall, we find that Component A is neutral as regards better facilitating the achievement of ASO (d).

Component B:

1.53 Component B introduces processes to the STC which require parties to follow the CNDM. We expect Component B would facilitate the production of offers whilst positively impacting ASO (d) on competition. 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 this would reduce the delay between a change to the connections process being identified as needed, and that change being implemented.

1.54 Overall, we find Component B is positive as regards better facilitating the achievement of ASO (d).

Component C:

1.55 Component C introduces a new process for capacity/bay reservation into the STC. We believe that Component C is neutral as regards better facilitating the achievement of ASO (d) because it would allow NESO to reserve the Connection Point for applicable Gate 1 projects, providing it to the TOs who can then assess it. This would then allow Users to ultimately receive a Gate 2 Offer. Without Component C, the gated process could present an obstacle for the development of some projects such as interconnectors, Offshore Hybrid Assets (OHAs) or projects part of HND/HNDFUE. This is because they need a confirmed connection point to meet Gate 2, but they cannot get a confirmed connection point until they have met Gate 2.

1.56 This could cause a circular inability to progress due to the requirements they need to provide to be part of specific regulatory regimes (ie cap and floor in case of interconnectors). However, we acknowledge that the circularity issues 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, the Reservation feature is neutral as regards better facilitating the achievement of ASO (d) when compared to the status quo as these parties do not suffer detriment under the status quo and Component C ensures they do not under TMO4+ either. Further, it is important that NESO use this power sparingly so as to not end up unfairly safeguarding an abundance of the projects which cannot demonstrate readiness at the detriment of those who can, as to do so would not facilitate effective competition. We consider that the time limit attached to the Reservation and NESO's annual review of any capacity protected under Reservation is an appropriate check to ensure capacity is appropriately allocated.

1.57 Overall, we find Component C is neutral as regards better facilitating the achievement of ASO (d) for the above reasons.

ASM1

1.58 ASM1 was raised to align with CMP434 WACM6 by obligating NESO to perform a review of Methodologies which could lead to their potential codification.. We are of the view that potential codification as described in ASM1 would have a neutral impact as regards better facilitating the achievement of ASO (d) compared to the status quo. In the event ASM1 did lead to the eventual codification of the Methodologies this would mean NESO would not have sole authorship over the Methodologies, such that if any updates are required to the connections process in future, this would likely be more difficult and slower to achieve than would be under the Original Proposal. 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), 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.

1.59 Codification could lead to ASM1 not better facilitating the achievement of ASO (d) as compared to the Original Proposal, since if any deficiency in the connections process in terms of competition could not be quickly remedied, this could have a detrimental impact on competition.

Original Proposal - *(e) protection of the security and quality of supply and safe operation of the National Electricity Transmission System insofar as it relates to interactions between Transmission Licensees and the licensee;*

Workgroup and Panel view

1.60 Most workgroup and panel members were of the view that the Original Proposal was neutral as regards better facilitating the achievement of ASO (e).[34] The same view was expressed for ASM1.[35]

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (e). It lays out our assessment of each 'Component' of the Original Proposal and ASM1 separately.
We consider that the Original Proposal better facilitates ASO (e) than the status quo and ASM1. The gated process and batched assessment process facilitated by the proposal will ensure only the most ready and needed projects will connect, speeding up their connection which will be positive for security of supply. Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than status quo. Capacity and connection point reservation will ensure that projects important for security of supply can access the network. We believe that Components A, B, and C to better facilitate ASO (e). Overall, we consider that ASM1 would better facilitate ASO (e) better than the Status Quo, but not as well as the Original Proposal. This is because potential codification could limit the NESO's ability to more quickly implement any desired changes to the new process.

[34] 14 out of 16 votes with 2 being negative.
[35] 13 neutral votes, 1 positive and 2 negative.

1.61 We consider the Original Proposal and ASM1 better facilitate the achievement of ASO(e) than the status quo, however the Original Proposal best facilitates its achievement.

Component A:

1.62 Component A introduces new processes in the STC to implement the new gated process. Component A is a key part of the gated process and batched assessment process. This would help to ensure only the most ready, needed, and genuine projects are allocated capacity and queue position, and would work towards prevention of capacity being allocated to any speculative or unlikely to connect projects. This ought to bolster security of supply since those genuine projects can connect with certainty and at the earliest date. In contrast, the status quo would see speculative projects finding it easier to get a queue position, which could jeopardise security of supply.

1.63 Overall, we find Component A would better facilitate the achievement of ASO (e) than the status quo for the above reasons.

Component B:

1.64 Component B introduces an obligation in the STC to consider CNDM when delivering connections offers. We expect Component B's facilitation of the CNDM, which assesses projects against CP30, will align connections with system need because the CNDM signposts to wider strategic plans which will be formulated to ensure security of supply[36]. Like ASOs (a), (b), and (c), we are also of the view that the introduction of Methodologies would give the NESO greater flexibility and control to address emerging issues which may harm security of supply by reducing as far as possible the delay between a change to the connections process being identified as needed, and that change being implemented. Such an emerging issue could theoretically lessen the benefits of Component A.

1.65 Overall, we find Component B better facilitates the achievement of ASO (e) than the status quo for the above reason.

[36] Connections Network Design Methodology (CNDM) at paragraph 2.2.2.

Component C:

1.66 Component C would introduce an STC process for capacity/bay reservation of the NESO. The capacity reservation powers that Component C refers to, would be beneficial for allowing projects like OHAs and Interconnectors, which can suffer from the circularity problems explained under Component C of ASO (d with regards to meeting Gate 2. These projects bring system benefits (ie: overall cost savings and network infrastructure coordination in the case of HND/HNDFUE) like security of supply. We expect the Reservation powers to allow a balanced mix of technology onto the system, which should ensure protection of the security and quality of supply and safe operation of the National Electricity Transmission System ('NETS') as compared with the status quo (i.e. without capacity reservation). Under the status quo, an projects not aligned with system need could block projects that may be required to ensure security of supply, which could be harmful to protection of the security and quality of supply and safe operations of the NETS.

1.67 Overall, we find Component C would better facilitate the achievement of ASO (e) than the status quo for the above reasons.

ASM1

1.68 ASM1 which obliges NESO to conduct a review of methodologies was raised to align with CMP434 WACM6 by obligating NESO to perform a review of Methodologies which could lead to their potential codification. We are of the view that ASM1 would better facilitate the achievement of ASO (e) compared to the status quo, but would have a less positive impact on protection of the security and quality of supply when compared to the Original Proposal due to the fact it could lead to codification of the Methodologies which would restrict the ability for changes to be swiftly enacted in future. Since ASM1 could lead to codification in future, we consider ASM1 does not better facilitate achievement of ASO (e) than the Original Proposal. 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), 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.

1.69 Overall, we find that ASM1 better facilitate achievement of ASO (e) than the status quo for the above reasons, but less well than the Original Proposal does.

Original Proposal - *(f) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;*

Workgroup and Panel view

1.70 Most members were of the view that the Original Proposal better facilitated the achievement of ASO (f).[37] This is due to members expressing the view that the Proposal would lead to more transparency. Therefore, projects would receive more information and an opportunity to refine their decisions in the light of CP30. Furthermore, the view was expressed that the Original Proposal would facilitate coordination.

1.71 Members also thought that ASM1 better facilitated the achievement of ASO (f).[38] The main argument in favour of ASM1 was that it would improve industry practice under STC arrangements, as the proposed changes would enhance coordination of connection applications and strengthen network assessments carried out by TOs. One view was that this would be done by the review and recommendation of experts, via the code modification process, which would likely lead to more robust processes in the STC. An opposing view, however, was that ASM1 would hinder NESO's ability to make efficient and decisive changes, and its ability to comply with current and future obligations.

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (f). It lays out our assessment of each 'Component' of the Original Proposal and ASM1 separately.

[37] With 12 positive votes, 2 negative and 2 neutral.
[38] 11 positive, 3 negative, 2 neutral.

We consider that the Original Proposal better facilitates ASO (f) than the status quo and ASM1. The gated process and batched assessment process facilitated by the proposal will ensure only the most ready and needed projects will connect, speeding up their connection which will be positive efficiency in implementation and administration of the STC. *The regular timings will be beneficial for resource allocation when process offers.* Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than status quo. We believe that Components A and B to better facilitate ASO (f), whereas Component C is neutral. Overall, we consider that ASM1 would better facilitate ASO (f) better than the Status Quo, but not as well as the Original Proposal. This is because potential codification could limit the NESO's ability to more quickly implement any desired changes to the new process.

1.72 We consider the Original Proposal would better facilitate the achievement of ASO (f) than the status quo, with ASM1 being neutral against it.

Component A:

1.73 Component A clearly sets out the processes, responsibilities, and timings that NESO and TOs need to follow to enact the new gated process. This would result in good industry practice, greater due diligence, and faster and more efficient decision making. The gated process and batched applications allow for a coordinated network design, providing a holistic view of how connections can impact the wider network. As offers are batched, it could be possible to identify optimal and economical solutions for connections that improve efficiency in the implementation and administration of the STC arrangements overall. Additionally, NESO and TOs would only spend resource on projects likely to connect, thanks to the gated process, versus the status quo which has a low barrier to entry.

1.74 Further, the more regular rhythm of the gates would allow the NESO and the TOs to manage applications and handle offers more appropriately , leading to efficiency in implementation and administration of the STC arrangements. While it is possible that the number of applications is higher than TOs and NESO prepare for, we view this risk as low..

1.75 Overall, we find Component A better facilitates the achievement of ASO (f) for the above reasons.

Component B:

1.76 Component B would introduce a new STC process which requires CNDM when producing connection offers. Like ASOs (a), (b), (c), and (e) we are also of the view that the introduction of Methodologies would give the NESO greater flexibility and allow it to more efficiently promote good industry practice and efficiency in the implementation and administration of the arrangements described in the STC by reducing as far as possible the delay between a change to the connections process being identified as needed, and that change being implemented. Overall, we find Component B would better facilitate the achievement of ASO (f) for the above reason.

Component C:

1.77 Component C proposes to introduce an STC process for capacity/bay reservation by NESO. We do not find that Component C has any impact on efficiency in implementation or administration of the STC. We consider that Component C would have a net neutral impact on better facilitating the achievement of ASO (f) as against the status quo. This is the case as whilst there may be some small 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 potentially avoiding any potential disputes with connection customers that (in the absence of a reservation power) could arise from being unable to achieve a Gate 2 offer due to the circularity problem mentioned under Component C of ASO (d).

1.78 Overall, we find Component C's impact as regards better facilitating the achievement of ASO (f) as neutral for the above reason.

ASM1

1.79 ASM1 was raised to align with CMP434 WACM6 by obligating NESO to perform a review of Methodologies which could lead to their potential codification.. We are of the view that potential codification could lead to the promotion of good industry practice as the

involved parties would follow an established process, this could better facilitate the achievement of ASO (f). However, ASM1 is less positive than the Original Proposal in this regard and this could therefore have an impact on the efficiency of the implementation/administration of the STC arrangements. This is because NESO resource would have to be dedicated to conducting both the review and reporting envisaged by ASM1, then the subsequent dealing with the modification process itself as well as the impacts of the new modifications to codify the documents. Further, in the event that this ASM led to codification of the methodologies, and subsequent updates were required, these changes would likely be less efficient to enact if subject to a codified approach than would be the case under the new methodologies and governance arrangements. This could take more time to enact changes. 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), 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.

1.80 Overall, we find ASM1 to be neutral as regards better facilitating the achievement of ASO (f) for this reason.

Original Proposal - *(g) facilitation of access to the National Electricity Transmission System for generation not yet connected to the National Electricity Transmission System or Distribution System;*

Workgroup and Panel view

1.81 The Original Proposal was mainly seen as better facilitating the achievement of ASO (g).[39] This was mainly due to a more coordinated approach to processing TOCOs relating to new and existing applicants. Furthermore, members thought that the Original Proposal provides a clear route for reserving connection points and capacity for

[39] 13 positive votes out of 16 with 2 negative and 1 neutral.

new applicants which can facilitate connections for strategically significant projects which require certainty at an early stage.

1.82 ASM1 also received mainly positive votes as regards better facilitating the achievement of ASO (g) with 13 positive, 2 negative and 1 neutral.

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (g). It lays out our assessment of each 'Component' of the Original Proposal and ASM1 separately.
We consider that the Original Proposal better facilitates ASO (g) than the status quo and ASM1. The higher entry requirements that the gated process will facilitate will incentivise more robust applications and ready projects, resulting in quicker access and generation and distribution of electricity. Capacity and connection point reservation endeavours to make the process as fair as possible for all project types. However, it does restrict access to market in a general sense. Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than status quo. We believe that Components A and B to better facilitate ASO (g), whereas Component C is neutral in this regard.
Overall, we consider that ASM1 would be neutral as regards ASO (g) because potential codification could limit the NESO's ability to more quickly implement any desired changes to the new process.

1.83 We consider the Original Proposal and ASM1 would better facilitate the achievement of ASO(g) than the status quo.

Component A

1.84 Component A would add two gates which is a key part of the new gated process alongside the Gate 2 Criteria Methodology. Together they would facilitate access to the network by only allowing the most ready projects to progress, and in a timely manner. The advantage of having two gates, compared to the status quo, would be that it would allow all projects that can prove they are ready to progress faster to have a queue position, incentivising connections applicants to develop their projects sufficiently enough to have a queue position. Faster electricity generation build should facilitate faster electricity distributed. The clear division between Gate 1 and Gate 2 processes

for new applications and significant modifications should streamline the project approval process and therefore facilitate access to the NETS for generation not yet connected to the NETS or Distribution System.

1.85 Overall, we find Component A would better facilitates the achievement of ASO (g) for the above reasons.

Component B

1.86 Component B would introduce a requirement in the STC to consider CNDM when producing connection offers. Like ASOs (a), (b), (c), (e) and (f) we are also of the view that the introduction of Methodologies would give the NESO greater flexibility and control to address emerging issues which may harm access to the NETS by lessening the benefits as mentioned under Component A and Component B for this ASO.

1.87 Overall, we find Component B would better facilitate the achievement of ASO (g) than the status quo for the above reasons.

Component C

1.88 Component C would introduce capacity/bay reservation processes for NESO. Component C could better facilitates access to the NETS for generation not yet connected to the NETS or Distribution System because it would allow NESO to provide the Connection Point to the TOs who can then assess it. This would reserve capacity even if the project is at Gate 1, until it gets to Gate 2. The gated process does not work for the development of some projects such as interconnectors, OHAs or projects part of HND/HNDFUE. This is because they need a confirmed connection point to meet gate 2, but they cannot get a confirmed connection until they have met Gate 2. However, this circularity issue is only created by the gated process and so even with capacity reservation, it is equal to the status quo in this regard since the status quo has no gated process which would cause these issues in the first place.

1.89 Overall, we find Component C would be neutral as regards better facilitating the achievement of ASO (g) for this reason.

ASM1

1.90 ASM1 was raised to align with CMP434 WACM6 by obligating NESO to perform a review of Methodologies which could lead to their potential codification. We are of the view that potential codification as described in ASM1 would better facilitate the achievement of ASO (g) compared to the status quo, but a less positive impact on access to the National Electricity Transmission System or Distribution System when compared to the Original Proposal. This is due to the fact it could lead to codification of the Methodologies which could restrict the ability for changes to be swiftly enacted in future (as described above). Since ASM1 could lead to codification in future, we consider ASM1 does not better facilitate achievement of ASO (g) than the Original Proposal. 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), 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.

1.91 Overall, we find that ASM1 would better facilitate achievement of ASO (g) than the status quo for the above reasons, but less effectively than the Original Proposal does.

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

Workgroup and Panel view

1.92 Most workgroup and panel members thought that the Original Proposal had a neutral impact as regards better facilitating the achievement of ASO (h).[40] The same was true for ASM1 which received 14 neutral votes, 1 positive and one negative.

[40] 14 neutral votes and 2 negative.

Our view

Overall, we agree with the majority of workgroup and panel members as we are of the view that the Original Proposal with all of its Components would have a neutral impact on ASO (h) compared to the status-quo and that ASM1 would equally have a neutral impact on ASO (h) when compared to the Original.

1.93 We agree that the Original Proposal would have a neutral impact on ASO (h) since it does not appear to affect compliance with the Electricity Regulation or any Relevant Legally Binding Decisions of the European Commission and/or the Agency.

ASM1

1.94 We agree that ASM1 would have a neutral impact as regards better facilitating the achievement ASO (h) since it does not appear to affect compliance with the Electricity Regulation or any Relevant Legally Binding Decisions of the European Commission and/or the Agency.

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

1.95 Having reached the overall conclusion that the Original Proposal would best facilitate the achievement of the ASOs in our assessment above, we have also assessed whether its approval is in line with our principal objective and other statutory duties.

1.96 We are minded to consider approval of the Original Proposal 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.[41]

1.97 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

1.98 In reaching this minded-to decision, 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 – applicable to Ofgem, NESO and network companies.

Overall recommendation

1.99 We are minded-to approve the Original Proposal.

Consultation questions

1. Do you agree with our minded-to position to approve the Original Proposal?
2. Do you have any further remarks, comments or concerns with our minded-to position?

[41] 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).