

Electricity Connections
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

6 January 2025

Dear Team

CONNECTIONS REFORM - POLICY CONSULTATION ON REQUIRED LICENCE CHANGES

Thank you for the opportunity to comment on your proposed licence changes required to facilitate the reformed connection process (TMO4+). This response reflects the views of ScottishPower Renewables (SPR). Our networks business, SP Energy Networks (SPEN), is responding separately from its perspective as an operator of electricity transmission and distribution networks.

Our responses to some of the specific questions posed in this consultation are set out in Annex 1 to this letter and suggested changes to the proposed licence changes are set out in Annex 2.

We would highlight the following points.

Connections Criteria Methodology

We believe it is important for all connection users to have full visibility of the criteria used to determine Gate 2 or Full connection offers and enter the connection queue, and which parties may be exempt from part or all of the Connections Criteria.

Such transparency is essential for users to understand their queue position and connection date and therefore has a significant impact on investment certainty. As such, we believe all these details regarding Connections Criteria should be set out in the Connections Criteria Methodology as the first point of reference. However, we do not consider the current proposed licence changes will ensure this. We propose changes to the current proposed definition of Connections Criteria in NESO licence Condition A1 and Condition E12 (Connections Criteria Methodology) to rectify this, which are set out in Annex 2.

Electricity Distribution Connections

Our preference for the potential connection processes being developed for electricity distribution connections subject to TMO4+ is for the DNO to complete the Readiness checks and then for the NESO to undertake the Strategic Alignment assessment for Gate 2 connection offers (Scenario 1). Whatever connection process is developed for distribution connections, it is important that the enabling licence changes ensure that distribution connection applications are subject to the same treatment as those at transmission. A key factor here is to ensure that connection applications can be submitted at the next available application window for Gate 2 assessment, and to facilitate this, define a connection process that recognises the appropriate amount of time required for DNOs to assess and prepare connection applications for Gate 2 submission.

Should you have any questions regarding any aspect of this response please do not hesitate to contact me or my colleague Haren Thillainathan (hthillainathan@scottishpower.com)

Yours sincerely,



Richard Sweet
Director of Regulatory Policy

**CONNECTIONS REFORM - POLICY CONSULTATION ON
REQUIRED LICENCE CHANGES – SCOTTISHPOWER RESPONSE**

Q1. Do you agree that licence changes are necessary to adequately facilitate the policy intent of the reformed Connections Process, if it is approved? Please, provide the reasons for your answers.

Yes, we agree licence changes are required to adequately facilitate the policy intent of the National Energy System Operator's (NESO's) connection reform proposals if they are approved. However we do not think the proposed licence changes to the NESO licence conditions adequately facilitate the policy intent in relation to the Connection Criteria Methodology (see our response to Question 4)

We also note that this consultation is considering only policy intent in relation to electricity distribution licences, with any proposed licence changes to be consulted on at a later stage. In this context we think further NESO licence changes may be required in combination with electricity distribution licence changes to adequately facilitate the policy intent in relation to timely submission of distribution connection applications. Our preference of the two potential connection processes being developed for electricity distribution is Scenario 1.

An important factor in achieving this policy outcome will be for the licence conditions and supporting guidance defining the connection process to recognise the appropriate amount of time required for DNOs and NESO to assess and prepare connection applications for Gate 2 submission.

Q2. Do you agree with the approach summarised in paragraphs 3.2 to 3.8? Please provide the reasons for your answer.?

Yes, we agree with the proposed approach to amend the NESO licence to create an overarching regulatory and enforcement framework that confers upon the NESO the powers and obligations necessary to implement the more detailed requirements of TMO4+ that will be codified in the Connection and Use of System Code (CUSC) and System Operator transmission operator Code (STC). While we agree with the proposed approach, we think the detail in the proposed NESO licence changes in relation to the Connections Criteria Methodology requires further amendment to ensure the proposed approach is properly achieved (see our response to Question 4)

Q3. Do you agree that we have considered all relevant areas of the licence which might need modifications, and that we have proposed changes in relation to all relevant matters? If there are areas we need to consider further, please specify. Also, please specify any matters that we have addressed but which you do not think should be relevant. Please, provide the reasons for your answer.

We think all areas of the NESO licence have been considered except for further modification that may be required to facilitate the policy intent in relation to the timely submission of electricity distribution connection applications, in combination with modifications to the electricity distribution licence. This omission is understood as the consultation notes that only the policy intent is being consulted on at this stage, with proposed licence changes to be consulted on once the policy is confirmed. Please see our response to Question 1 for some initial considerations on the electricity distribution licence.

Q4. Do you agree that the new definitions as set out in paragraphs 3.12 to 3.19 and draft legal text in condition A1, as set out in Annex A, are necessary to and adequately facilitate the policy intent of the reformed Connections Process? Please provide the reasons and any alternative suggestions if you disagree.

We disagree that the proposed new definition of Connections Criteria in NESO Licence Condition A1 is adequate to facilitate the policy intent. Specifically we think the two constituent sets of criteria namely Readiness and Strategic Alignment should be specified in the licence definition and then referred to the Connection Criteria Methodology for their detailed definition. We have set out how we suggest the definition should be modified in this respect in Annex 2.

Our rationale for the further change is to ensure that the NESO effectively implements the policy intent. In combination with further proposed changes to NESO Licence Condition E12 (Connections Criteria Methodology) we think these changes are also required to ensure the policy intent is fully transparent, specifically in respect of the criteria required to receive a Gate 2 connection offer and enter the connection queue and which parties are exempt (or are deemed to have grand fathered rights). We think all users should have full visibility of the connection criteria categories required to be satisfied to enter the connection queue and where exemptions to the criteria apply. These are fundamental to understanding queue position and connection date and therefore impact investment certainty.

We were particularly concerned about the open letter published by the NESO on 10 December 2024¹ following the closure of the consultation on the TMO4+ Connection Methodologies². In the letter, the NESO provided clarifications that “viable and well progressed” projects would be deemed to have met Strategic alignment Criteria and would receive Gate 2 (Full) connection offers subject to provision of evidence by close of the “Gate 2 to Whole queue Submission Window” expected May 2025. The open letter proposed the following be considered “viable and well progressed”:

- have applied for planning consent before the date at which NESO submit the connections methodologies proposals to Ofgem (currently estimated as 20 December 2024) and have secured planning consent by the close of the Gate 2 to whole queue evidence submission window;
- have been awarded a Contract for Difference contract by Government;
- have been awarded a Capacity Market contract by NESO;
- interconnector or Offshore Hybrid Asset projects that have been awarded Cap and Floor or merchant route regulatory approval by Ofgem.

By deeming the above project categories to have met the Strategic Alignment Criteria the categories are effectively exempt from this criterion. The impact of these exemptions is not clear if any of the above project categories would receive a queue position in advance of its position in the Clean Power 2030 Action Plan³ and pushing back other connection applicants in the existing queue.

Notwithstanding, the NESO went on in the open letter to propose that above project categories being deemed to have satisfied Strategic Alignment and the associated procedures would be detailed in the final submitted Connection Network Design Methodology (CNDM) which is already closed to consultation. We do not believe detailing any current and future exemptions from the Connections Criteria outside the Connection Criteria Methodology is transparent and undermines investment certainty as mentioned above. Accordingly we think this approach is unacceptable.

¹ <https://www.neso.energy/document/349496/download>

² <https://www.neso.energy/industry-information/connections/connections-reform>

³ <https://www.gov.uk/government/news/government-sets-out-plan-for-new-era-of-clean-electricity>

We believe the policy intent of the TMO4+ connection reform proposals is clearly that connection applications must satisfy both Readiness and Strategic Alignment criteria to receive a Gate 2 or full connection offer and therefore it is reasonable these criterion types are defined in the NESO's licence Condition A1 and then referred to the Connection Criteria Methodology for their detailed definition. In future should it be determined additional criteria are required to be met in order to receive a Gate 2 connection offer, we don't think it is unreasonable for this to be added to the licence condition A1 definition of Connections Criteria Methodology explicitly obliging the NESO to then detail this additional criteria in the Connection Criteria Methodology. We believe such future licence modifications could be implemented on an agile basis alongside the associated Connection Criteria Methodology modification. We have set out how the definition of Connection Criteria should be modified in Annex 2.

Using this revised definition of Connection criteria we propose that NESO Condition E12 (Connection Criteria Methodology) is modified such that the NESO is obliged to set out in the Connections Criteria Methodology, the details of the criteria categories and which parties are exempt from part or all the criteria. See our response to Question 11 and Annex 2.

Q11. Do you agree with the proposal for the Licensee to create and maintain the Connections Criteria Methodology as in paragraphs 3.30 to 3.34? Please provide the reasons for your answer.

We agree with the broad proposal for the ESO to create and maintain the Connections Criteria Methodology except for paragraph 3.33 setting out additional requirements of the methodology reflecting proposed objectives in NESO Licence Condition E12.1. In Annex 2 we set out how the requirement to set out the Connection Criteria should be modified to include it to set out the criteria and the parties that are exempt from part or all the criteria. Our rationale for the change is set out in our response to Question 4.

Q12. Do you agree with the objectives and scope of the Connection Criteria Methodology as in paragraphs 3.32 and 3.33, respectively? Please provide the reasons for your answer.

Please see our response to question 11.

Q13. Do you agree that the proposed text in new condition E12, as set out in Annex A, provides the right level of governance and industry engagement to ensure that the Connections Criteria Methodology is developed and modified in a robust manner? Please provide the reasons for your answer.

Please see our response to question 11.

CONNECTIONS REFORM - POLICY CONSULTATION ON REQUIRED LICENCE CHANGES: ANNEX A: ELECTRICITY SYSTEM OPERATOR - SCOTTISHPOWER COMMENTS

This annex sets out our suggested amendments to the proposed licence conditions set out in Annex A to the consultation.

Reference	Comment	Suggested Amendment
Condition a1 Definitions		
Connections Criteria	Connections Criteria should be further defined down to the constituent criterion types (Readiness & Strategic Alignment)	Means: a) the Readiness Criteria; and b) the Strategic Alignment Criteria specified in the Connections Criteria Methodology
Condition E.12.1	The objectives for the Connections Criteria Methodology to set out the Connections Criteria should be expanded to also set out exceptions to that criterion	a) set out: i) the Connections Criteria which are to be used to determine if an application for connection receives an offer in accordance with E15.5; ii) which persons are not required to meet part or all the Connections Criteria to determine if their application for connection receives an offer in accordance with condition E15.5.

ScottishPower
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