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06 January 2025

### **NESO Response to 'Connection Reform – Policy consultation on required licence changes'**

Dear Jack,

Thank you for the opportunity to respond to 'Connection Reform – Policy consultation on required licence changes'. Our response is not confidential, and if required we are happy to expand on any of the points contained herein once you have taken them into consideration.

#### **Who we are**

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry, where everyone has access to clean, reliable and affordable energy.

NESO's primary duty is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

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### Our key points

- We are supportive of both the need for changes to existing licence conditions and for the introduction of new licence conditions to facilitate our TMO4+ proposals. We recognise the challenges facing our connections customers and the need to fundamentally reform the electricity transmission connections process in order to deliver Clean Power by 2030 and maintain an efficient transition to net zero. Changes to relevant licences, alongside modifications to industry codes and the introduction of connections methodologies, are essential to efficiently connect the mix of projects we need to enable Clean Power by 2030 and beyond.
- We are generally supportive of the policy intent behind the proposed changes to the Electricity System Operator (ESO) Licence Conditions and the Transmission Licence Conditions, including the new conditions for the proposed new methodologies. However, the execution of that intent in licence drafting requires further consideration, as in some places there is potential misalignment between our TMO4+ proposals and the proposed licence drafting within this consultation. This additional consideration is particularly important because failing to address our feedback could introduce risks into the TMO4+ implementation programme and its timelines. For example, misalignment between the proposed code legal text and the suggested license changes could create complications.
- We are supportive of the policy proposals to introduce new licence requirements on DNOs, and we have made some further suggestions; it will be important to see proposed licence drafting in these areas as soon as possible.

We look forward to further engaging with you on this programme. At your earliest convenience, we would appreciate the opportunity to discuss our comments and feedback in more detail.

Should you require further information on any of the points raised in our response in the meantime please contact [Michael.Oxenham1@nationalenergyso.com](mailto:Michael.Oxenham1@nationalenergyso.com).

Yours sincerely,

James Norman

Head of Connections Strategy

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## Appendix 1 – Consultation Question Responses

Question 1: 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. As aspects of the current connections process are derived from existing licence conditions, changes to these and new conditions to reflect the reformed connection process and introduction of the various methodologies associated with these are required. Therefore, to enable, and ensure the efficient and successful implementation of our 'TMO4+' proposals, targeted licence changes are required. In addition, new licence conditions are required in respect of some of the aspects of the 'TMO4+' proposals.

Question 2: Do you agree with the approach summarised in paragraphs 3.2 to 3.8? Please provide the reasons for your answer.

Yes. We agree that it is appropriate for NESO 'to have greater control, through appropriate licence modifications, over the Connections Process, facilitating the delivery of the strategic plans openly and transparently, as well as meeting statutory objectives'. This will allow us 'to act flexibly and decisively (within the parameters of the new governance framework as set out by the proposed new licence conditions), as opposed to being bound to overly prescriptive, and to some extent rigid, obligations contained in industry codes'.

However, in relation to balancing prescriptiveness and non-prescriptiveness, we feel there are some areas where the content of the licence change proposals may be too prescriptive. We set out these areas in response to the relevant licence condition specific questions below.

Question 3: 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.

At this stage we have not identified any further relevant areas of the licence which would need to be modified or be further considered. There are a handful of matters which we do not think are relevant, or at least are not relevant in the way presented, and we set out these areas in response to the relevant licence condition specific questions below.

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Question 4: 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 generally agree, but we have some queries on some of the proposed definitions as follows.

- In respect of the Clean Power 2030 Action Plan definition, Ofgem may wish to consider whether 'electricity system' or 'energy' system' would be the most appropriate, in the two places within the proposed definition.
- In respect of the Connections Process definition, Ofgem may wish to consider whether the reference to 'Distribution Operators' should be a reference to an existing defined term, such as 'Authorised Distributors' (or 'Distribution System Operators', etc). It is also worth ensuring that the context is correct in relation to the definition i.e. as per our later comments on ensuring it is clear throughout the licence which conditions are related to the existing process, and which are related to the reformed process.

Question 5: Do you agree that no changes are required to the existing definitions in condition A1, as set out in Annex A, and that the proposed new changes are enough? Please provide the reasons for your answer and identify any changes you consider to be needed.

We query whether the following definitions could also need to change:

- The definition of 'Bilateral Connection Agreement' - to make clear that the information including and associated with the 'relevant connection site' may in some cases now be indicative under amended Condition E15.
- The definition of 'Transmission Reinforcement Works' - to make clear that they would only be included in a Construction Agreement where related to an offer to an applicant who is required to and does meet the Connections Criteria (or potentially where related to Reservation).

Ofgem may also wish to consider whether 'Application Period' should become a defined term to make clearer what is meant within amended Condition E15 - particularly in new Condition E15.9. Further to our response to Q22 there may also be a need to define 'Application Window' if this is intended to be (although we do not think it is) distinct from 'Application Period'.

Question 6: Do you agree this clarification in paragraph 3.21 and proposed text in condition B3, as set out in Annex A, is required? Please provide the reasons for your answer.

Although we agree that it is helpful for Ofgem to confirm that application of the approved project designation methodology should not lead to a breach of Condition B3, we consider that this confirmation is sufficient without the need to change the condition itself.

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This is on the basis that NESO would be required by the relevant CUSC and licence provisions to apply the approved project designation methodology. We do not consider that a commercial advantage would be 'unfair' if it has been provided in line with the approved methodology, which as Ofgem sets out would be approved on the basis that it contains legitimate and fair technical criteria. We would similarly welcome Ofgem's confirmation that this would also be the case for NESO's application of the other aspects of the codes and methodologies (e.g. for connection point and capacity reservation).

We are concerned that adding a reference in B3.2 to designation may have unintended consequences, as (even if it is expanded to cover the connection methodologies generally), there may be other activities that NESO conducts under processes set out in the licence which create a commercial advantage, but which would then not be specifically referenced in B3.2. In that sense adding the wording relating to project designation alone may have the potential to confuse.

Question 7: Do you agree with the policy intent behind the changes we are proposing that these types of "full" offers will only be made to the "non-gated" applications or "Gate 2" applications? Please provide reasons for your answer.

Yes, as Connect and Manage will only be applied to determine the content of an offer in the context of "full" offer. Notwithstanding the proposed text in amended Condition C11, we will also need to be mindful of the obligations within amended Condition C11 where we are utilising Reservation.

Question 8: Do you agree that the proposed text in condition C11, as set out in Annex A, gives appropriate effect to the policy intent? Please provide reasons for your answer.

Yes.

Question 9: Do you agree with the policy intent behind the changes we are proposing in paragraphs 3.28 and 3.29? Please provide the reasons for your answer.

Yes, but note that there seems to be an error in Paragraph 3.28 as in our view 'directly connected generation that includes storage and [0] MW connections (Sync Comps)' would be required to go through the Gated Process within our proposals, whereas Paragraph 3.28 states that this is not the case. (This comment also applies to Paragraph 2.3.)

The reason we agree (subject to the above correction) with the policy intent is that it is important that CUSC provides for arrangements which are aligned with the licence and methodologies.

However, we wonder whether there is a potential policy intent omission here i.e. whether amended E2.8. should also specify that CUSC must make provisions equivalent to E2.8(b) (i) and (ii) in respect of those CUSC Users covered by new Condition E15.6.

Question 10: Do you agree that the proposed text in condition E2, as set out in Annex A, gives appropriate effect to the policy intent? Do you think any further changes would be appropriate? Please provide the reasons for your answer.

We agree, as it is important to clarify what CUSC must make provisions for in the context of a reformed connections process.

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However, in respect of potential further changes, please note our comment in response to Question 9 above, which may require the addition of E2.8(b) (iii) and (iv) in respect of CUSC Users covered by amended Condition E15.6. If these are added, they will need to be tailored to reflect new Condition E15.6.

Question 11: 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 generally agree with Ofgem's policy proposals that we have in place and maintain a Connections Criteria Methodology.

This methodology (as well as the others described in Ofgem's consultation) will be part of the framework that will be put in place if Ofgem approves CMPs 434 and 435. This will set out the detail of how a reformed connections process would be implemented if approved by Ofgem.

In our view it is important to balance the need for engagement with industry while allowing industry documents to respond in an agile manner to the changes the industry is facing. The requirements to review these methodologies ensures they are kept up to date, and the requirement to consult means that stakeholders have an appropriate role in informing the process, while still allowing the methodologies to evolve and respond to necessary changes in a timely manner.

However, we also have some concerns regarding proposed processes for developing and amending the methodologies. One concern relates to several points where Ofgem's policy intent appears to place an absolute obligation on NESO to maintain security of supply through the methodology. If included within the methodologies, the wording should be amended to require NESO to facilitate or promote security of supply, as maintaining security of supply is an output which the Connections Criteria Methodology alone cannot deliver. NESO has several other licence obligations relating to security of supply, which should provide sufficient comfort.

In our view however, it is not necessary to refer to security of supply at all in this context. Security of supply (along with net zero) are already objectives of the criteria, given they are part of NESO's statutory objectives under section 163 of the Energy Act 2023. We therefore suggest that it is unnecessary to include criteria on aspects covered by NESO's statutory duties and that these should be removed. We note that they are not covered in the licence requirements for other NESO methodologies (e.g. Strategic Spatial Energy Plan (SSEP) and Centralised Strategic Network Plan (CSNP)).

Although Ofgem will be required to be satisfied that the criteria are sufficiently clear and will only approve the criteria where it is satisfied, we also suggest that the reference to the criteria being '*clear*' should be removed, given this is a highly subjective term and that it is not an objective set out for other methodologies described in the licence (e.g. Future Energy Pathways (FEP), SSEP and CSNP Methodologies). If Ofgem considers that part of a proposed methodology is unclear, it could direct NESO to reconsider the methodology. We do not consider that this should be a breach of licence.

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It may assist with some of the above points if it is made clear that the objectives relate to Ofgem's expectations for the methodology to be approved (and remain valid), rather than distinct licence obligations on NESO. In addition, we think it is important to note that in the event Ofgem rejects the methodology - requesting further development and specifying a new submission date - that there should be clear optionality for Ofgem (in specifying that new submission date) as to whether further formal consultation by NESO is or is not first required to be undertaken prior to that submission date (and if so, for what period of time).

The above concerns/comments also apply to both the Connections Network Design Methodology and the Project Designation Methodology.

Question 12: 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.

We agree in part with the scope and objectives. However, as commented upon in our answer to Question 11 we are concerned about the inclusion of an absolute obligation in relation to security of supply. Our relevant response to Question 11 therefore applies equally here.

Question 13: 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.

We agree that the level of governance and industry engagement is appropriate. It balances the need to engage stakeholders in the development of industry documents with the need to move with a rapidly evolving system.

We note that condition E12.16 states that Ofgem will set out the implementation date of any Connections Criteria Methodology. NESO will propose an implementation date in the submission under condition E12.11, which can then be discussed with Ofgem as needed prior to any decision. Any change to the methodology might require system changes or have significant impacts on third parties and so the implementation period will need to be appropriate.

Question 14: Do you agree with the objectives of the Connections Network Design Methodology as in paragraph 3.38? Please provide the reasons for your answer.

We agree in part with the scope and objectives. As mentioned in our answer to Question 11, we are concerned about the inclusion of an absolute obligation in relation to security of supply. Our relevant response to Question 11 therefore applies equally here. Further, we note that Paragraph 3.38 says that the CNDM should enable a net zero energy system. Paragraph 3.22 also uses the word enable in relation to the objectives of the Connections Criteria Methodology. However, draft licence condition E12.2(b)(ii) says the Connections Criteria Methodology should facilitate a net zero energy system. We believe this latter language is more appropriate and should be used throughout the methodology related conditions if included. However, as noted in our response to Question 11, since these objectives (along with the objective of having an economic and efficient network) are part of NESO's statutory objectives, we consider that it is unnecessary to include these objectives.

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Question 15: Do you agree with the scope of the Connections Network Design Methodology as set out in paragraph 3.35 and 3.37 is aligned with the TMO4+ connection reform process? Please provide the reasons for your answer.

We agree with the proposed scope of the CNDM. However, as mentioned in our answer to Question 11 we are concerned about the inclusion of an absolute obligation in relation to security of supply. Our relevant response to Question 11 therefore applies equally here.

Question 16: We have kept the licence change broad for 'preparing offers' as in paragraph 3.37. Should we be more specific with the scope to include further description in the licence that it will determine the queue order, study applications and assess the infrastructure required to enable/prepare offers to enter into a "Gate 2" agreement? Please provide the reasons for your answer.

We agree with the current policy proposals. The proposed licence obligations strike an appropriate balance between placing obligations on us as NESO and the need to maintain a level of flexibility to allow the connections process to evolve to meet wider energy system changes.

Question 17: Do you agree that the proposed legal text in conditions E13, as per Annex A, and in this section provides the right level of governance and industry engagement to ensure that the Connections Network Design Methodology is developed and modified in a robust manner? Please provide the reasons for your answer.

As noted above, we have some concerns with the legal/licence text as regards the absolute obligation regarding security of supply (see response to Questions 11, 12, 14 and 15).

Question 18: Do you believe the NESO should be able to designate projects for prioritisation in the circumstances as specified in paragraph 3.42? Please provide the reasons for your answer.

The ability to designate in a transparent manner allows NESO to deliver its broader functions such as ensuring Security of Supply and System Operation. There is also a need to allow technologies with a longer lead time or that are highly innovative into the queue where they are either beyond the temporal scope of the existing Government plan, or the technology had not been proven when the plan was completed and therefore could not be included.

However, there may be scenarios that Ofgem and NESO are not aware of today that could warrant designation of a project and/or circumstances may change in future. It is our view that Ofgem should allow for the development of additional designation categories over time and/or allow for changes (including potentially removal) of the designation categories currently set out. The requirement (if any) for the introduction of new, or changes to current, designation categories is likely to come to light as a result of the annual review of the Project Designation Methodology. As such Ofgem would have oversight of any NESO proposed additions or changes to Project Designation categories.

Question 19: Do you agree that the NESO should only be able to designate projects after a period of consultation as in paragraph 3.43, for existing agreements also in the first application window? If not, please explain your reasoning, along with alternative suggestions if appropriate.

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Yes – this allows for appropriate scrutiny and feedback on any proposed designation decisions. However, we have some practical concerns about the requirement to consult on any project designation decisions in time for efficient implementation of CMP435 (i.e. the Gate 2 to Whole Queue exercise). We think Ofgem should allow some flexibility in the context of CMP435 and amend the licence drafting such that NESO will consult for the period set out in the licence unless Ofgem agrees otherwise. We are happy to work with Ofgem to explore where such flexibility might be necessary or beneficial in the context of CMP435.

Question 20: Do you agree that the proposed legal text in condition E14, as set out in Annex A, provide the right level of governance and industry engagement to ensure that the Project Designation Methodology is developed and modified in a robust manner? Please provide the reasons for your answer.

As noted above, we have some concerns with the legal/licence text as regards the absolute obligation regarding security of supply (see response to Questions 11, 12, 14 and 15).

As noted above in response to Question 18, we believe that it is important to retain flexibility to allow the designation process to respond to changes in the industry.

We also note that new licence condition E14.5 provides for Ofgem approval of any proposed (positive) designation by NESO, but that there is no mechanism for Ofgem approval where NESO does not propose to designate (i.e. where NESO has received a designation application but proposes not to designate). It appears to us that if Ofgem is approving a positive designation proposal, it should also have a role for any instance where NESO does not propose to designate. We welcome further discussion with Ofgem on this.

Question 21: Do you agree with the requirements that an application window as in paragraph 3.56 is practical and sufficient? Please provide the reasons for your answer. What is the right maximum and/or minimum period for how long an application window should be open? Is the minimum requirement of there being at least one application window every year sufficient? Please provide the reasons for your answer.

We agree the concept is generally practical and sufficient, but we have some points of clarity for consideration, as follows.

- As the specific application periods only apply to certain types of applications, we are not sure that the proposed licence text in para E15.9 makes this clear and it could therefore be confusing. We suggest changing it to:

*“The licensee may implement application periods, of the type and length specified in, or in accordance with, the CUSC and/or the Connections Methodologies, during which persons wishing to apply for a connection in accordance with paragraph E15.2, E15.3, E15.5, E15.6 and E15.7 and which are subject to the Connection Criteria must submit their application. Unless otherwise agreed with the Authority, these application periods should occur at least once annually, not be for...”*

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- We agree that an application period should not be for less than two weeks. However, we disagree that it should not be more than four weeks. Six weeks would be a more suitable maximum time period. We also disagree that a three-month minimum notice should be required and, whilst we recognise there is a balance to be struck in giving parties sufficient notice, parties should be aware of the new processes/requirements. We therefore think four weeks would be a more suitable minimum notice period. However, if the proposed drafted timescales remain unchanged, it is very important that the ‘unless otherwise agreed’ flexibility is retained within the amended licence condition as there will likely be instances where it would be prudent to utilise alternative timescales.
- Whilst we are comfortable from a licence perspective with application periods occurring at least once annually, we note the policy intent that they are opened if and when required and our current intention is for them to be six-monthly, at least once the repeatable process is running as a result of CMP434. We note that the application period for the first process run under CMP434 remains to be confirmed and so when this six-monthly repeatable process is to commence remains to be confirmed (by the Gated Timetable).
- As per our response to Q5, in relation to ‘application period’, this being a defined term would make the timescale parameters set out in new Condition E15.9 clearer e.g.

*‘Application Period: means the time period during which a person who is required to meet (and meets) the Connection Criteria, or is required to meet (and does not meet), the Connection Criteria may submit an application under Condition E15.’*

Question 22: Do you agree that 6 months as mentioned in paragraph 3.59 to provide an offer once the application window closes is adequate? Do you agree with our proposed option regarding timing for the NESO to make offers, or do you prefer any of the alternative options set out in paragraph 3.60? Are there any other options we should be considering? Please provide the reasons for your answer and suggest alternative.

Our views on this question depend on what is meant by the term ‘application window’ and whether that is different to the term ‘application period’. We note the strong links between what is set out here and the proposed legal text within CMP434 and CMP435, including in relation to there being (respectively) a Gated Timetable and an Existing Agreement Timetable proposed, and (respectively) the definition of the terms Gated Application Window and EA Request Window.

More specifically, we query whether the references to ‘application window’ in amended Condition E15.14. (b) and (c) are meant to be references to ‘application period’ for consistency with new Condition E15.9, or whether they are intentionally different. Importantly, if there should be ‘application period’ and this is changed (and the definition of ‘Application Period’ set out in our response to Question 21 is what is meant by the term application period), then we do not consider that 6 months is sufficient. In such circumstances it should instead be 7–8 months, depending on what changes (if any) are then made to the timescale parameters within new Condition E15.9. This would ensure there is sufficient time for NESO and TOs to undertake the activities required by the industry codes and proposed new Methodologies.

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If however "application window" is the correct term and this term encompasses both the "application period" and the "application competency period" (note this is not a defined term) that follows then: i) we believe it would be beneficial to have "Application Window" defined as a term, in addition to "Application Period"; and ii) a duration of six months would then be sufficient from the closure of the application window.

In respect of the 'alternative options', whilst we do not feel that it is appropriate that we should have 'full discretion' it is important to note the role of the Gated Timetable and EA Timetable in the proposals, and the necessary discretion that these provide us (subject to licence conditions). We think it is important that we have the right amount of time (see comments on timescales above) as the upper bound, and we agree it sensible to have an 'unless otherwise agreed' provision to provide flexibility in future, if there is a legitimate case for doing so.

Question 23: Do you agree with our proposed approach of specifying which type of applications get which type of offers as in paragraphs 3.52 to 3.55? Does this cover all type of applications? Please provide the reason for your answer and mention if any type of applications is not captured in here.

Yes, this seems to be a practical approach that appears to function as intended and as drafted, provided that our other suggested amendments regarding the revised Condition E15 are taken into account. The possible exception however relates to new Licence Condition E15.6. Whilst under CMP435 existing parties who do not meet Gate 2 (the 'Connections Criteria') will get a Gate 1 ATV, under CMP434 parties either make a Gate 1 or Gate 2 application. However, importantly, those applying for 'Gate 2' but not meeting the Connections Criteria do not get a Gate 2 Offer OR a Gate 1 Offer. The current drafting of new Licence Condition E15.6 in the context of amended Licence Condition E15 more broadly would require such persons to be provided with a Gate 1 Offer which is not our intention based on the proposals and legal text proposed within CMP434. It is also worth considering whether this same carve out potentially applies at 15.14(a).

Question 24: Do you agree that the proposed legal text in condition E15, as set out in Annex A, meets the policy intent above? Please provide the reasons for your answer.

Yes, if our other suggested amends are considered in relation to amended Condition E15. In respect of Gate 1 Reservation (which we mentioned in response to Q7), we feel that new Condition E15.6 (c) is sufficiently flexible to allow Gate 1 Offers (including Reservation) to be made. However, it could be worth adding 'except where the CUSC and STC provide otherwise' in relation to the first two bullet points to recognise that for Gate 1 Projects with Reservation there will be a reserved connection date and location (subject to additional clauses under the third bullet point) rather than an indicative connection date and location. In addition, Ofgem may wish to further consider 15.3 and how it may (or may not) relate to our earlier comment as to what Ofgem see the connections process as being. Whilst we note the intent behind new E15.3, we wonder if this (and the reference to the connections process) is intended to capture the obligation related to making offers to all applications or (because of the reference to connections process/methodologies) just the applications under the new reformed process?

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Question 25: Do you agree with our approach mentioned above in paragraphs 4.1 to 4.3? Please provide the reasons for your answer.

Yes, although please note that some of our comments in relation to the ESO Licence would also be relevant to the proposed changes to the Transmission Licence. We have not repeated these in respect of the Transmission Licence and in response to Q26 through Q43 inclusive we have only made points which are specific to the Transmission Licence(s).

Question 26: Do you agree that we have considered all the areas of the licence which might need modifications? Please provide the reasons for your answer and specify if you think we have missed some areas.

TOs are likely better placed to provide a view on Q26. Given the changes to the ESO licence, we note that the references in Conditions D4B and E18 of the transmission licence will need to be updated to align with the new condition E16 (Functions of the Authority) of the ESO licence.

Question 27: Do you think any other modifications to definitions are required for the transmission licence in addition to the ones proposed for the System Operator Licence in paragraphs 3.12 to 3.19? Please provide a reason for your answer.

TOs are likely better placed to provide a view on Q27.

Ofgem may wish to consider the relevance of some of the new definitions in the context of this licence considering they are not actively used.

Question 28: Do you agree that the proposed text in SLC D1, as set out in Annex B, meets the policy intent? Please provide a reason for your answer.

TOs are likely better placed to provide a view on Q28.

Question 29: Would you suggest any changes to the new and existing definitions in SLC D1 that are pertinent to Connections Reform? Please provide a reason for your answer.

TOs are likely better placed to provide a view on Q29.

However, we question whether all the definitions included in the ESO Licence are necessary. Specifically, what is the purpose of defining new terms, such as Designation Criteria and Project Designation Methodology, if they are not utilised in the Conditions?

As well as this, see Appendix 2 for minor drafting comments.

Question 30: Do you agree with the policy intent and the rationale described in the paragraphs 4.6 to 4.10, in respect of the changes to SLC D4A.1? Please provide a reason for your answer.

Question 31: Do you agree with the proposed changes to the text of SLC D4A.1, as set out in Annex B? If you disagree or partially agree, please provide a reason for your answer.

Question 32: Do you agree with the policy intent and the rationale for the proposed changes described in the paragraphs 4.11 to 4.13, in respect of the changes to SLC D4A.2? Please provide a reason for your answer.

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Question 33: Do you agree that the proposed changes to the text of the new paragraph 2 of SLC D4A, as set out in Annex B, effectively facilitate the policy intent? Please provide a reason for your answer.

Question 34: Do you agree with the policy intent described in paragraph 4.17, in respect of the changes suggested in paragraphs 2, 3, 4 and 5, now amended to become paragraph 3, 4, 5 and 6, of SLC D4A? Please provide a reason for your answer.

Question 35: Do you agree that the proposed changes to the text of the amended paragraph 3, 4, 5 and 6 of SLC D4A, as set out in Annex B, effectively facilitate the policy intent? Please provide a reason for your answer.

TOs are likely better placed to provide a view on Q30 through Q35.

However, we disagree with aspects of the policy intent (and so the licence condition drafting) regarding amended Licence Condition D4A. More specifically, as part of our CM095 proposals we have not included a formal codified NESO/TO interaction in respect of Gate 1 Projects (unless there is Reservation, in which case they are essentially treated as being Gate 2 Projects from an STC and process perspective between NESO and TOs and so would fall within D4A.1). As a result, if CM095 were to be approved, we do not believe TOs would need licence conditions in respect of 'a person who is required to meet but does not meet the Connections Criteria' as proposed at D4A.2.

For the avoidance of doubt, we do agree with the need to differentiate between 'a person who is required to meet and meets the Connections Criteria' and 'a person who is not required to meet the Connections Criteria' as proposed at D4A.1 to align with the ESO Licence and the amended (and retained) aspects of the connections process.

Also, it is worth reiterating here that CNDM is only relevant to those applicants which go through the application window process under the reformed process (and not all applications).

Question 36: Do you agree with the policy intent and the rationale in respect of the proposed changes to SLC D16 as described in paragraphs 4.19 to 4.23? Please provide a reason for your answer.

Question 37: Do you agree that the proposed changes to the text of SLC D16, as set out in Annex B, effectively facilitate the policy intent? Please provide a reason for your answer.

TOs are likely better placed to provide a view on Q36 and Q37. However, the policy intent and drafting execution seems reasonable from our perspective.

As a minor point it is worth noting (and the same for the ESO licence) that for embedded generation it is the application that meets the criteria and not the person applying in respect of the criteria.

Question 38: Do you agree with the policy intent behind the proposed new licence condition as explained in paragraphs 4.24 to 4.26, in respect to the proposed SLC D18? Please provide a reason for your answer.

Question 39: Do you agree that the proposed text gives appropriate effect to the specific policy intent, as detailed in Annex B? Please provide a reason for your answer.

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We strongly support the policy intent in relation to TOs having a licence obligation to support the production and maintenance of the CNDM, and to comply with it once approved by the Authority. This will ensure that NESO is able to deliver our obligations in relation to our own amended ESO Licence in respect of the Connections Process.

The drafting of new Licence Condition D18 seems reasonable, but please note that it may be prudent to also have links to new Licence Condition E13.5, as well as Part A, so that the new obligations also clearly relate to any future review and update of the CNDM.

Ofgem may also want to consider use of 'develop' rather than 'produce', but in any case, the language within and across licences should be consistent. The heading may also need to be more reflective of the nature of the obligations within the section.

See Appendix 2 for further minor drafting comments.

Question 40: Do you agree with the policy intent and rationale in respect of the changes proposed to SLC E17, in paragraphs 4.28 to 4.34? Please provide a reason for your answer.

Question 41: Do you agree that the proposed changes to the text in SLC E17, as set out in Annex B, effectively facilitate the policy intent? Please provide a reason for your answer.

See Appendix 2 for further drafting comments.

Question 42: Do you agree with the policy intent behind the proposed new licence condition as explained in paragraph 4.35, in respect of the SLC E25? Please provide a reason for your answer.

Question 43: Do you agree that the proposed text of the new condition, as detailed in Annex B, gives effect to the policy intent? Please provide a reason for your answer.

Offshore TOs are likely better placed to provide a view on the majority of Q42 and Q43. However, the same comments apply as per the equivalent TO provisions set out above.

It is worth noting that from a volume perspective the role of Offshore TOs in the Connections Process is lesser than for Onshore TOs, but it is still just as important for those customers which are connecting to or impacting on the Offshore Transmission System.

Question 44: Do you agree that changes are likely be required to some of the definitions within licence condition 1? Please provide any information / evidence you can provide to support your response.

Yes, changes are required to add in new definitions within Licence Condition 1.

As the Connections Process evolves, it is important that the definitions remain relevant and accurately reflect the current regulatory and operational environment. Regular review and updates to the definitions help ensure clarity and consistency, reducing the risk of misunderstandings and legal disputes. It is worth noting that contrary to Paragraph 15.5 of the consultation some Embedded Generators can apply for and receive 'Gate 1 Offers'.

Question 45: Do you consider any modifications to licence condition 4 are required?

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Consistency between the connection processes and between transmission and distribution licences is important to ensure clarity and understanding for parties connecting at both transmission and distribution. Therefore, the approach taken should be the same for both licences, including to avoid ambiguity between the different forms of licence.

Question 46: Do you agree with the policy intent to modify licence conditions 12.1 and 12.4 under both scenarios? Please provide a reason for your answer.

We agree with the policy intent, noting that alignment of the distribution and transmission queue/process is critical. If the two are not aligned, which could potentially be due to licence obligations that were not updated to reflect connections reform, then this could lead to inefficient outcomes for end consumers, e.g. where network capacity was sterilised unnecessarily.

Question 47: Do you agree with our view that no changes to licence condition 19 are necessary under any of the two scenarios? If you disagree or partially agree, please provide a reason for your answer.

Question 48: If you disagree, what kind of change to the licence condition 19 do you believe is necessary?

As per Question 45, consistency in the approach taken in transmission and distribution licences is important to ensure clarity and common understanding. Whilst we do not believe a change is necessary (and similar changes haven't been proposed in the other licences) if the distribution licence is changed, the approach taken should be the same for both licences, including to avoid ambiguity between the different forms of licence.

Question 49: Do you see any risk related to introducing an obligation for DCUSA licensees to comply with the Clean Power 2030 Action Plan and SSEP?

We support the policy principle of including an obligation to comply with the Clean Power 2030 Action Plan and SSEP to ensure network designs are coordinated, with the detail to be later developed at the appropriate time.

Question 50: Do you agree with the changes suggested to licence condition 20? If you disagree or partially agree, please provide a reason for your answer.

Licence Condition 20 should be amended to include the NESO connection reform methodologies (such as CNDM).

DNOs have actions ascribed to them through the Methodologies, as they contain more process detail of the transmission and distribution interface, rather than just the submission of Gate 2 developer information. It is important that the distribution licence should include a reference to abiding by the CNDM to ensure the transmission and distribution interface works efficiently for the best outcomes for consumers.

Question 51: Do you agree with the proposal to define a new licence condition 12A.1 – requirement to perform “Gate 2” checks in line with the NESO methodology?

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We agree, although the DNO role in connections reform is wider than just Gate 2 checks, specifically as Licence Condition 20 should be amended to include the connections reform methodologies (such as CNDM), as stated in response to Question 50 above.

We note that the text for the new conditions changes from DNO/IDNO to just DNO. We assume that this is a mistake as transmission connected IDNOs will need these new conditions too as they will have to perform the same functions as DNOs in the reformed Connections Process and in respect of the Methodologies.

Question 52: Do you agree with the proposal to define a new licence condition 12A.2 – requirement to perform “Gate 2” checks in a timely manner? If so, do you consider the approach to the condition should be principles-based or prescriptive?

We agree. Throughout the connection reform development process there has been a consistent concern from industry that project progressions have not been submitted in a timely manner. While there is a reasonable endeavours obligation in CUSC for DNOs to submit applications, we note that the majority of embedded developers are not party to the CUSC. Therefore, this obligation is better suited to being a distribution licence condition, rather than a CUSC obligation.

We note that the text for the new conditions changes from DNO/IDNO to just DNO. We assume that this is a mistake as transmission connected IDNOs will need these new conditions too as they will have to perform the same functions as DNOs in the reformed Connections Process and in respect of the Methodologies.

Question 53: Do you agree with the proposal to define new licence conditions 12A.3 and 12A.4 – this would introduce a requirement to submit projects for transmission assessment within a timely manner?

We agree and for the same reasons as Question 52.

We note that the text for the new conditions changes from DNO/IDNO to just DNO. We assume that this is a mistake as transmission connected IDNOs will need these new conditions too as they will have to perform the same functions as DNOs in the reformed Connections Process and in respect of the Methodologies.

Question 54: Do you think any Electricity Transmission Special Licence Conditions changes are required? If you think that changes are required, please provide a reason in your answer.

Such licence holders are best placed to respond, but we are not aware of any changes.

Question 55: Do you think any Electricity Interconnector Standard Licence Conditions changes are required? If you think that changes are required, please provide a reason in your answer.

We assume that “Interconnector Standard” is an error and it should read “Distribution Special”. If so, we do not think changes to the Electricity Distribution Special Licence Conditions are required.

Question 56: Do you think any Electricity Interconnector Standard Licence Conditions changes are required?

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Such licence holders are best placed to respond, but we are not aware of any changes. However, when developing an 'MPI Licence' in future, the role in the connections process (if any) should be given further consideration.

Question 57: Do you think any Electricity Generation Standard Licence Conditions changes are required?

Such licence holders are best placed to respond, but we are not aware of any changes.

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## Appendix 2 – Further drafting comments on Electricity System Operator and Transmission licence drafting

This appendix sets out our drafting comments on each licence condition, where not covered in the above responses.

### ESO Licence drafting

Reference	NESO comments
<b>General, ISOP</b>	Throughout the licence drafting, we request that <i>'the ISOP'</i> is changed to <i>'the licensee'</i> to align with the remainder of the electricity system operator licence. (The use of <i>'ISOP'</i> is correct in the transmission licence drafting.)
<b>General, sentences</b>	In some places, the drafting does not align with Ofgem's licence drafting principle that was used when the electricity system operator licence was drafted (specifically A1.7), that set out that each paragraph should generally contain one sentence. We suggest this is revised to align with the remainder of the licence. This would mean joining together multiple sentences into one sentence or splitting out the paragraphs in provisions such as E12.1, E12.3, E12.8 and E12.16.
<b>General, paragraphs</b>	In some places the word <i>'paragraph'</i> is missing before the reference.
<b>A1.4, Designation Criteria</b>	There is an additional space at the start of this definition, and it is missing a full stop.
<b>A1.4, Project Designation Methodology</b>	Missing full stop.
<b>E12.1(a)</b>	We suggest changing <i>'create'</i> to <i>'develop'</i> , for consistency with paragraph C16.1 (which contains the equivalent provision relating to the SSEP Methodology).
<b>E12.1(b)</b>	We suggest changing <i>'produce'</i> to <i>'develop'</i> , for consistency as above.
<b>E12.1(c)</b>	We suggest changing <i>'further modification'</i> to <i>'revision'</i> , to align with paragraph C17.15 (which contains equivalent wording relating to the CSNP Methodology). (Modification is generally used in the licence to refer to licence or code changes.)
<b>E12, Part A heading</b>	We suggest changing <i>'create'</i> to <i>'develop'</i> , for consistency as above.
<b>E12.2(a)</b>	It is not clear to us that <i>'(a) – (g)'</i> add anything here and we suggest that this can be deleted. This paragraph should end with a semi-colon.
<b>E12, Part B heading</b>	We suggest changing <i>'produce'</i> to <i>'develop'</i> , for consistency as above.

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<b>E12.3</b>	We suggest changing <i>'is required to produce'</i> to <i>'must produce'</i> for consistency and to align with Ofgem's licence drafting principles. In both places where it occurs, the word <i>'document'</i> is redundant and can be deleted, since this is already captured in the definition of Connections Criteria Methodology. Alternatively, if the intent is to indicate that the Methodology is not yet approved, it could be set out as the <i>'proposed'</i> Connections Criteria Methodology.
<b>E12.3(b)</b>	For consistency with the remainder of the clause, <i>'applicant'</i> should be changed to <i>'applicants'</i> (plural) and <i>'issue'</i> changed to <i>'submit'</i> .
<b>E12.4, E12.5, E12.7, E12.8, E12.12(d),</b>	It is not clear to us what <i>'relevant'</i> means in this context and we request that this is either explained further or deleted.
<b>E12.9</b>	We suggest changing <i>'amendments'</i> to <i>'revisions'</i> as above.
<b>E12, Part C heading</b>	We suggest changing to <i>'initial development and revision'</i> , for consistency as above.
<b>E12.11</b>	Given E12.7 applies only following a NESO review, we suggest changing the end of the sentence to <i>'...must submit to the Authority for approval the Connections Criteria Methodology or any revised Connections Criteria Methodology (where relevant including the statement required in accordance with paragraph E12.7)'</i> .
<b>E12.12</b>	There is a missing space at <i>'E12.11must'</i> . We suggest changing <i>'amendment'</i> to <i>'revision'</i> as above.
<b>E12.12(d)</b>	The requirement here seems to be inconsistent with other parts of the condition. There is a requirement for the methodology to meet the objectives in para E12.2(b), but not a requirement for any changes to better facilitate the objectives. It may be that a change is needed which is neutral to the objectives being met. We therefore request that this is changed so that the test is the same for the initial methodology and subsequent revisions.
<b>E12.14</b>	This paragraph appears to have the same policy intent as paragraph C17.15 does in relation to the CSNP Methodology, but has some additional wording, which we see as an unnecessary inconsistency. In particular, the references to <i>'the content and form of'</i> in both places and the references to rejection and <i>'at its discretion'</i> could be deleted.
<b>E13, General</b>	A number of our comments made in relation to E12 above apply equally to E13 where the same or equivalent wording is used and we do not repeat them below.
<b>E13.1</b>	This drafting uses the undefined term <i>'electricity distribution operator'</i> , which is not used elsewhere in the licence. Ofgem may wish to consider whether this should be a reference to an existing defined term, such as <i>'Authorised Distributors'</i> (or <i>'Distribution System Operators'</i> ).
<b>E13.2</b>	As above, we suggest that <i>'distribution operator'</i> is not clear and Ofgem may wish to consider whether the reference should be a reference to an existing

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	defined term, such as 'Authorised Distributors' (or 'Distribution System Operators').
<b>E13.3(vii)</b>	The reference to ' <i>electricity system operators</i> ' here is an error. On the basis that 3.38 of the consultation refers to NESO only, we suggest that this should be deleted.
<b>E13.14</b>	This should refer to para E13.11.
<b>E14, General</b>	A number of our comments made in relation to E12 above apply equally to E14 where the same or equivalent wording is used.
<b>E14, Part A heading</b>	We suggest that this heading is broadened given the provisions in the Part go beyond the methodology itself to broader requirements for the designation process.
<b>E14.2</b>	<p>We suggest that it is important that this drafting refers to criteria and designation for consistency with other parts of the condition. We suggest changing this to '<i>The Project Designation Methodology is used to set out the criteria which are to be used for designating applications for a connection to be subject to special conditions and processes...</i>'.</p> <p>It may aid the flow of the condition if this paragraph were moved to above paragraph E14.6 (noting that this would mean that para E14.1(a) would need to be updated).</p>
<b>E14.3</b>	For clarity, we suggest changing the second ' <i>it</i> ' to ' <i>the application</i> ' and referring to ' <i>one of the following Designation Criteria</i> ' to make clear that the list is not cumulative.
<b>E14.3(b)</b>	System operation is not a defined term in the licence.
<b>E14.4</b>	Bullet points here should be changed to the standard formatting and a number of capitalised words should be lower case.
<b>E14.7(a)</b>	' <i>The</i> ' should not be capitalised.
<b>E14.7(b)</b>	' <i>require</i> ' should be changed to ' <i>requires</i> '. We suggest this should refer to meeting one of the Designation Criteria (as above).
<b>E14.7(c)</b>	' <i>Process</i> ' should not be capitalised.
<b>E15.14(b)</b>	We suggest changing to ' <i>...whose applications are not required to be submitted within an application period referred to in paragraph E15.9...</i> '.
<b>E15.14(c)</b>	We suggest changing to ' <i>...and who has applied within an application period referred to in paragraph E15.9...</i> '.
<b>E15.16</b>	We suggest that the reference should be to para E15.5.
<b>E15.17</b>	We note that this paragraph is not showing correctly in the consultation version. Paragraph E15.17(b) should end at ' <i>in accordance with paragraph E15.5;</i> ' with the wording afterwards aligned with the paragraph opening.

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### Transmission Licence drafting

Reference	NESO comments
<b>General</b>	A number of our comments made in relation to the ESO licence conditions above apply equally to the transmission licence changes where the same or equivalent wording is used.
<b>General, Defined terms</b>	We note that some terms appear capitalised, which in the transmission licence for consistency with the remainder of that licence, should not be capitalised (e.g. <i>'Connections Criteria'</i> , <i>'Connections Criteria Methodology'</i> , <i>'Connections Methodologies'</i> , <i>'Electricity System Operator Licence'</i> ).
<b>D16.1</b>	It is not clear to us that the reference to paragraph C11.2 should be updated.
<b>D18.2</b>	The word 'Design' is currently omitted at <i>'Connections Network Methodology'</i> .
<b>E25</b>	Paragraph numbers should start at 1.
<b>E25.2</b>	The word 'Design' is currently omitted at <i>'Connections Network Methodology'</i> .