System Operator ("SO") – Transmission Owner ("TO") Code ("STC") CM095 – Implementing Connections Reform

Decision:	The Authority[1] directs that the Original Proposal of 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
Date of publication:	15 April 2025
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[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 have decided to approve the Original Proposal of CM095. This decision forms part of a wider package of reforms, which includes a suite of other decision documents on the TMO4+ connections reform proposals.

This document outlines a summary of CM095 and any alternatives, the views of NESO as proposer of CM095 (ie of the Original Proposal), the views of Workgroup members, STC Modification Panel ('the Panel') members, those who responded to the Code Administrator Consultations ('CAC'), and those who responded to the minded-to consultation. It also contains a summary of views expressed on any alternatives raised. We then assess CM095 and any alternatives against the Applicable STC Objectives ('ASOs') as compared to the status quo, taking account of any views expressed and decide which option best facilitates achievement of the ASOs.

Following this evaluation of all options, we have decided to approve the Original Proposal ofCM095.

We compare our approved option (the Original Proposal) for CM095 against the status quo and Alternative STC Modification 1 ('ASM1') and provide our reasoning as to why we find that the Original Proposal better facilitates achievement of the ASOs than the status quo and ASM1.

We also provide our assessment of our decision against our Principal Objective and 'wider' statutory duties.[2] In reaching this decision, we have also had regard to other statutory duties, as more fully described in our *Summary Decision Document: TMO4+ 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

[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.

Methodology ('CNDM') when assessing connection offers and introduction of processes for Reservation of Capacity in the STC;

- This will allow the TOs and NESO to only commit resource to projects which are more likely to be both ready and needed. Once they do, studying them in batches with the help of strategic plans will create greater coordination and efficiency;
- The facilitation of the CNDM will further assist the above and could be updated more quickly by NESO should any changes be needed (whilst still being subject to industry input). This will be more efficient and coordinated since NESO is the overall system operator and the network ought to be designed by the organisation responsible for it;
- Connection point and capacity Reservation powers will allow the progression of certain project types which are subject to certain regulatory regimes and may otherwise have been prevented from progressing because of the proposed gated process (ie in the absence of such tools);
- Competition will be improved overall with higher entry requirements and ongoing compliance requirements, making it fit for purpose and will ultimately see viable projects get connected more quickly; and
- ASM1 would have introduced an obligation for NESO to perform a review of Methodologies and for TOs to support this review. This ASM was raised to align with WACM6 of CMP434 and would only be implemented if CMP434 WACM6 were to be approved and implemented. Notwithstanding the fact that we have decided to approve WACM2 of CMP434, we include our assessment of ASM1 against the ASOs below. We conclude that ASM1 does not facilitate achievement of the ASOs as efficiently as the Original Proposal.

1. Background

1.1 The background to the development of the connections reform proposals (of which CM095 forms part) is set out in our Overarching document.

Context

1.2 NESO is required under its Electricity System Operator Licence ('NESO 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 NESO 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') will, 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 provided in our 'TMO4+ Impact Assessment'.

[3] Condition E4 of the NESO 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.

The ASOs

1.5 The ASOs against which the options under CM095 are to be assessed are set out in Annex E: Condition E4.5 (a) – (h) of the NESO 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.*

2. The Modification Proposal

2.1 CM095 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 will establish a new process for all new applications for connection. The operational detail of the revised process will be set out in new connection Methodologies (required under modifications to the NESO Licence and Transmission Licence). CMP434 & CMP435 will be supported by NESO guidance.[6] The guidance documents are intended to aid readers in understanding in practical terms how the reforms will affect CUSC parties operationally.

2.2 The proposals will reform the electricity transmission connections process as set out in both the CUSC and STC. The STC changes specifically allow NESO and TOs to facilitate the delivery of the reformed connections process as set out within CMP434. CM095 will introduce new processes and definitions to update existing procedures and enable projects that are most ready to progress more rapidly to connection by facilitating a gated process which will utilise the 'Gate 2 Criteria' Methodology.[7] Without the changes to the STC set out in the Proposal, the reformed connections process cannot be delivered, as the current STC provisions will be inconsistent with the wholesale revision of the connections process proposed within CMP434.

Original Proposal

2.3 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:

[6] 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 (updated 11 April 2025), the Letter of Authority guidance (updated 11 April 2025), and the Interactivity guidance (due shortly after Ofgem decision). NESO will publish all of 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.

- 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 NESO and the TOs must follow when producing offers, this component will mean that connection offers follow the wider gated process being implemented and thus require projects to pass certain criteria to enter the connections queue.
- Component B: Introduces the requirement for NESO and TOs to apply the CNDM when developing TO Construction Offers ('TOCOs'). The purpose of the CNDM is to provide an overview of the process that NESO, TOs and Distribution Network Operators (DNOs) will follow when assessing applications to connect generation, interconnection, storage and transmission connected demand.[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 could unfairly disadvantage certain project types which are part of specific regulatory regimes.[9]

ASM1

2.4 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.

2.5 ASM1 would have obliged 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 Methodologies (eg the Gate 2 Criteria Methodology[10]). This would have been undertaken in parallel with the Gated Review timings of WACM6 of CMP434 after which, NESO would have presented its review to the STC Panel and subsequently sought guidance from the Panel as to whether to codify the Methodologies that are

[8] Connections Network Design Methodology (CNDM).
[9] This disadvantage is explained further under Component C of ASO (d).
[10] Connections Reform | National Energy System Operator.

pertinent to the STC.[11] ASM1 also would have placed an obligation on TOs to support NESO by providing relevant information required for the review.

2.6 ASM1 could have led 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 by the Proposer and workgroup that ASM1 should only be implemented if CMP434 WACM6 were to also be implemented, since WACM6 is the CUSC equivalent which seeks to oblige NESO to review and possibly codify the same documents.

2.7 Subsequently, a CAC was issued on 8 November 2024 and closed on 26 November 2024. The CAC received six non-confidential responses and three confidential responses.

Workgroup views

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

STC Panel[12] recommendation

2.9 At the Panel meeting on 20 December 2024, the Panel recommended unanimously that the Original Proposal better facilitates the ASOs[13] than the status-quo, and by majority that ASM1 better facilitates the ASOs than the status-quo. Unanimously, the Panel recommended that the Original Proposal best meets the ASOs.

Send-back

2.10 On 20 January 2025, the Authority sent back CM095 for targeted further consideration and swift resubmission of the FMR.[14] This was done as the Authority was unable to properly form an opinion on CM095, due to a failure to assess a new objective that had

[11] The review would have commenced 12 months after the start of the first gated process, and the outputs would have been 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.
[12] The Panel is established and constituted from time to time pursuant to and in accordance with Governance section B6 of the STC.
[13] The Applicable STC Objectives are set out in Standard Condition B12 of the Transmission Licence and Condition E4 of the Electricity System Operator Licence.
[14] Authority decision to send back System Operator Transmission Owner Code ("STC") Modification Proposal CM095: 'Implementing Connections Reform' (CM095).

been inserted upon the establishment of NESO as well as consideration of minor updates that had been made to another of the objectives (to reflect the establishment of NESO on 1 October 2024).

2.11 The second FMR was resubmitted to us on 29 January 2025. The additional information provided in this FMR ensured that the Authority was able to properly form an opinion on CM095. In the second FMR, other than the inclusion of responses and votes on the new objective (ASO (b)), the workgroup conclusions and Panel recommendation remained unchanged from the first FMR.

Ofgem minded-to consultation

2.12 On 14 February 2025, the Authority published a minded-to consultation on the overall TMO4+ package of reforms.[15] This consultation closed on 14 March 2025. We have reviewed and fully considered the responses received. The following is a summary of the responses received to this consultation which commented on CM095. We address the substantive points below in our ASO analysis sections. Insofar as views were expressed in respect of CMP434, these are summarised and discussed on the CMP434 decision.

2.13 When asked if they agreed with our minded-to decision to approve the Original Proposal of CM095, there were 28 in favour, 2 against, and 51 did not comment.

2.14 The Original Proposal was supported by two respondents for creating a more efficient system in which projects progress faster, and for being necessary to enable TO-NESO interaction. Two respondents, however, preferred ASM1, though one of them recognised that approving the Original Proposal was most optimal given the CMP434 minded-to position (to not approve WACM6).

2.15 More specifically, Component A's move to a gated process was supported by one respondent as a means to increase efficiency. Component B's greater consideration of network planning when creating connection offers and queue re-ordering based on

[15] Ofgem, *Decision on TMO4+ Reform related Modification to Electricity Licence Conditions*, April 2025.

readiness was supported by the same respondent, but the readiness criteria for certain project types, eg interconnectors, was criticised. Capacity Reservation as contained in Component C was strongly supported by one respondent, however it was preferred that this would be in the form of a standardised process, not at NESO's discretion. Another called for a more limited scope with defined processes for transparency and disputes.

2.16 There was concern by one respondent that TOs and NESO would face unprecedented levels of connections and assessment work, and that there needed to be greater coordination to mitigate this. Another raised that the TOs would be obligated to adhere to a timetable solely administered by NESO, with no formal route of appeal or requirement for NESO to take into consideration the TO's inputs. There was mention by another respondent of the importance of the STCP changes (PM0142 and PM0143[16]) which are with Ofgem for decision, acknowledging the dependencies of these with the code modifications.

2.17 Finally, some general points raised were support for stronger enforcement mechanisms for DNO non-compliance with regard to project progression and a post-implementation review which should be conducted to ensure that the reforms are meeting expectations.

Our decision

2.18 We have considered the issues raised by the Proposal and both FMRs, including taking account of the responses of the STC Parties to the Workgroup Consultation, both CACs, and to the responses received to our consultation published on 14 February 2025. We have also considered and taken account of the votes of both Workgroup votes and both Panel recommendation votes and our TMO4+ Impact Assessment.

2.19 We conclude that:

[16] PM0142 Application of Gate 2 Criteria to existing contracted background | National Energy System Operator; PM0143 Implementing Connection Reform | National Energy System Operator.

- Implementation of the Original Proposal will better facilitate, than the status quo or ASM1, the achievement of ASOs (a) – (c), (e) and (f), with a neutral impact on ASO (d), (g) and (h);
- Implementation of ASM1 will better facilitate, than the status quo, the achievement of ASOs (a) – (c), (e) and (f), with a neutral impact on ASO (d), (g), and (h);
- Overall, implementation of the Original Proposal will best facilitate the achievement of the relevant ASOs; and
- Directing that the Original Proposal be approved is consistent with our principal objective and statutory duties.[17]

[17] 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.

3. Reasons for our decision

3.1 (a) efficient discharge of the obligations imposed upon Transmission Licensees by Transmission Licences and the Electricity Act 1989;

Workgroup and Panel view

3.1.1 Most Workgroup and Panel members thought that the Original Proposal better facilitated the achievement of ASO (a) than the status quo.[18] 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.

3.1.2 In terms of ASM1, most members thought that it better facilitated ASO (a) than the status quo.[19] Some members expressed the view that ASM1 better facilitated ASO (a) than the status quo 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). The Original Proposal will introduce a gated approach, enabling batched assessments, which will allow for more holistic, efficiently designed connections. The regular timings will be beneficial for TO resource allocation. Use of the CNDM will enable changes to be made more quickly and efficiently than status quo. Capacity Reservation linked to strategic energy plans will support the energy system. Overall, we find that Components A, B, and C will better facilitate ASO (a).

[18] With 14 positive and 2 negative votes against ASO (a). See Annex 9 – CM095 Alternative and Workgroup Vote and FMR pages 19-21.
[19] With 11 positive, 3 negative and 2 neutral and 2 neutral votes against ASO (a).

We consider that ASM1 would better facilitate ASO (a) better than the status quo, but not as effectively 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.

3.1.3 In assessing ASO (a), we have considered the TO's 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 will be better facilitated by the Original Proposal and ASM1 compared to the status quo, however the Original Proposal overall best facilitates the achievement of ASO (a).

Component A:

3.1.4 Component A defines the obligations and timing changes between NESO and TOs so that NESO can facilitate the gated process and batched assessment process. It will enable NESO and TOs to take all applications received in a window in batches and sort the queue position and connection dates accordingly. We expect that this will ensure that new network build is more coordinated and better planned, therefore ultimately delivered more cost-efficiently.[20] It is therefore likely this will result in a more coordinated, economic and efficient transmission system overall, since all requested dates can be reviewed holistically which will be more likely to lead to a more optimised queue allocation process (for the benefit of TOs, DNOs and iDNOs, and customers).

3.1.5 One minded-to respondent recognised that the bi-annual process would result in greater coordination when making decisions regarding the application since other requests and interactivity are taken into consideration, but at the cost of slower decision timescales when compared to the status quo. We agree with this response (recognising it will take customers longer to receive offers) and our view is that the greater coordination will cause a net positive increase in efficiency even when the slower decision timescales are considered. By providing long-term clarity on the needs of the system and a more efficient, coordinated network design, these reforms are

[20] Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 2: "Appraisal of Impacts – Impact on network build and connection dates."

expected to result in up to approximately £5bn of avoided non-attributable reinforcement works.[21]

3.1.6 Additionally, the more regular timings associated with the gated process will 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. One view raised in the minded-to was that this modification was necessary for NESO – TO interaction, which we agree with[22]. A concern raised in the consultation was that the TOs would be obligated to adhere to a timetable solely administered by the NESO with no formal route of appeal or requirement for NESO to take into consideration the TOs input. We consider it appropriate, given NESO's role as system operator, to own and set this timetable. We trust that NESO will consult the TOs when doing so, take regard of TO needs, and consider the impact on all affected parties. Overall, we find that Component A better facilitates the achievement of ASO (a) than the status quo.

Component B:

3.1.7 Component B proposes to update the STC so that the NESO and TOs will 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 will positively impact the TOs' ability to develop and maintain an efficient, coordinated, and economical transmission system.[23] Economic and efficiency benefits will be realised since the CNDM will assess the batched projects and consider more optimal, holistic network designs. This is a key part in addressing the status quo inefficiency of *first come, first served* which assesses projects as they apply and means that many connection offers are reliant on incremental reinforcement works that often may not be needed due to the high attrition rate[24] (projects in the queue which do not ultimately connect), and that projects are merely studied

[21] Ofgem, *TMO4+ Impact Assessment*, April 2025, see section 2: "*Appraisal of Impacts – Impact on network build and connection dates*".
[22] This is also relevant to ASO (b).
[23] As noted in Ofgem, *Decision: Connections Network Design Methodology*, April 2025.
[24] ~60% - see: NESO, *Consultation: Connections Reform*, June 2023.

individually, without consideration of wider strategic plans. Coordination will be positively impacted by the previously mentioned holistic view requiring the TOs, alongside NESO, to take a wider view of the optimal enabling network build, and because the CNDM will signpost interactions with the strategic energy planning processes.[25] This is also supported by our 'TMO4+ Impact Assessment'.[26]

3.1.8 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. A new, robust governance framework will be put in place by accompanying licence changes, with NESO as the author of the Methodologies. This will benefit the TOs in carrying out their obligation to develop and maintain an efficient, coordinated, and economical system of electricity transmission since any changes to Methodologies to ensure this will be identified and implemented quicker than if done through the code modification governance process. Additionally, this new governance arrangement will provide more autonomy to NESO (author of the Methodologies) whilst maintaining a voice for industry and Authority oversight.

3.1.9 Additionally, the need for a post-implementation review to ensure that reforms were delivering as expected was raised by a minded-to respondent. It is our view that the annual and Authority directed reviews, as set out in section 2 of our decision on licence changes, will be sufficient to address this.[27] The Authority will monitor the outcomes of reform, through clear governance across Ofgem, the Government, NESO and network companies. In addition, the Authority possesses the ability to direct NESO to amend the Methodologies if the objectives are not met.[28] This will increase the likelihood of regular foreseeable improvements in the connections process and consequential benefit for the transmission system – which may aid the TOs in fulfilling their licence obligations more efficiently than under the status quo (which does not have such a comparative regular review process).

[25] As noted in Ofgem, *Decision: Connections Network Design Methodology*, April 2025.
[26] 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"* set out in Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 2: "*Appraisal of Impacts – Impact on network build and connection dates*".
[27] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[28] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.

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

Component C:

3.1.11 Component C introduces new processes in the STC through which NESO can reserve connection points, capacity, or both during the gated process. It will give a route to the connections process for projects which may have found themselves unable to receive a Gate 2 Offer otherwise, though we recognise that this problem only occurs due to the Gate 2 criteria as proposed by these reforms.

3.1.12 Further, in the event this is overused, or used where it ought not to be, this could detract from Component C's ability to better facilitate the achievement of ASO (a). 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 still have capacity reserved for them, then this could undermine the benefits of the reformed process since there would be reduced capacity available for projects that have met Gate 2. However, we recognise that Reserved projects will still be assessed before receiving a Gate 2 offer as with any other project, and the Reservation will be timebound so that capacity cannot be reserved in perpetuity. We consider that this can partially mitigate against the risk of Reservation being used too often or detracting from better facilitating the achievement of ASO (a).

3.1.13 We expect NESO to strike the right balance in using this Reservation tool 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')[29], the Strategic Spatial Energy Plan ('SSEP') and any associated coordinated offshore plans.

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

In this way it will positively benefit an efficient, coordinated, and economical energy system.

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

ASM1

3.1.15 ASM1 was raised to align with WACM6 of CMP434 by obligating NESO to perform a review of Methodologies which could lead to their potential codification. We consider that ASM1 would have better facilitated achievement of ASO (a) than the status quo, but it would not likely have better facilitated 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 had authorship over the Methodologies. This would mean that if changes were required to ensure the effectiveness of the TMO4+ process, these would potentially have been more difficult and slower to achieve than will be the case under the Original Proposal.

3.1.16 Further, given the nature of the detail that is in the Methodologies, codification of the Methodologies would be inappropriate. In our view it is appropriate for the Methodologies to be authored by NESO and have greater flexibility to change where the need arises (subject to Authority approval and whilst maintaining a voice for industry).

3.1.17 This outcome would have led to ASM1 failing to better facilitate the achievement of ASO (a) as compared to the Original Proposal, 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. This logic can be applied to further ASOs below and will be mentioned as such, however, the full reasoning as laid out here will not be repeated.

3.2 (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[30]

3.2.1 In terms of ASO (b), most Workgroup and Panel members thought that the Original Proposal better facilitated the achievement of ASO (b).[31] This was mainly because the Original Proposal introduces greater coordination in the development of the transmission system and the production of connection offers which increases efficiency. Furthermore, one workgroup member thought that the Original Proposal allowed NESO to comply with its licence more effectively as compliance with the SSEP and the CSNP will lead to a more strategic planning approach to planning.

3.2.2 ASM1 was seen by the majority of workgroup and Panel members to better facilitate the achievement of ASO (b).[32]

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (b). The Original Proposal will introduce a gated approach, enabling batched assessments, which will allow for more holistic and efficiently designed connections. We expect that the higher entry requirements will reduce wasted resource on non-viable projects and will support government net zero targets. This greater efficiency will reduce consumer costs. Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than status quo, and aligns with NESO's role and responsibilities. Overall, we find that Components A, B, and C will better facilitate ASO (b).

[30] The panel and workgroup members did not cast a vote on this ASO (b) for the Original Proposal 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 and Annex 16 to the FMR following send back. Hence, the vote for objective b) in the original FMR is now listed for objective c) and so forth.
[31] With 13 positive and 2 negative votes against ASO (b). 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.
[32] With 10 positive, 2 neutral and 3 negative votes against ASO (b). See Annex 16 of the final FMR and CM095 Second Final Modification Report. CM095 - Implementing Connections Reform | National Energy System Operator.

We consider that ASM1 would better facilitate ASO (b) better than the status quo, but not as effectively 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.

3.2.3 In assessing ASO (b), we have considered NESO's statutory obligations. The Energy Act 2023 ('EA23') 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"); (b) ensure the security of supply, to existing and future consumers, of electricity conveyed by distribution and transmission systems (the "security of supply objective" [33]); 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"). Additionally, section 164 of the EA23 provides that NESO must, when carrying out its functions, have regard to (a) the need to facilitate competition between persons who carry out a relevant activity (except to the extent that such persons are, in accordance with or by virtue of an enactment, not subject to competition in relation to the activity)[34]; and (b) the consumer impact of a relevant activity.

3.2.4 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).

Component A

3.2.5 Component A allows NESO to promote an efficient, coordinated and economical electricity transmission system, by processing all applications received in each window as batches and sorting the queue position and connection dates accordingly. This will

[33] 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.
[34] In respect of NESO's duties set out in s164 of the EA23 as regards competition, we believe that this duty has been considered in our analysis of ASO(d). Therefore, please see our analysis on ASO(d) for our views on competition.

ensure that new network build is more coordinated and better planned, therefore delivered more cost-efficiently as compared to the status quo where NESO considers each connection individually.[35] The status quo means that NESO may not sufficiently consider the whole-system impact on the network, and implications of that connection for the network. The new process will also support the prioritising of projects that are more progressed, supporting the government to meet its net zero targets and lowering wasted resource spent on projects which would not ultimately connect, both of which will also benefit consumers.

3.2.6 One minded-to respondent recognised that the bi-annual process would result in greater coordination, but at the cost of slower decision timescales (recognising it will take customers longer to receive offers) when compared to the status quo. We note this response and view the greater coordination will cause a net positive increase in efficiency even when the slower decision timescales are considered.

3.2.7 Additionally, the more regular timings associated with the gated process will allow for a more predictable workload for NESO, thus allowing for more efficiency in the development and maintenance of an efficient, co-ordinated and economical transmission system, with improved opportunity to plan and allocate resources to the work needed to process offers.

3.2.8 Further, this improved efficiency will benefit the consumer, as customers could pay, in part, for any inefficiency through network charges – so any prevention of inefficiency could see cost savings for consumers.[36]

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

[35] Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 2: "Appraisal of Impacts – Impact on network build and connection dates".
[36] Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 2: "Appraisal of Impacts – Impact on network build and connection dates – Impacts on Consumers".

Component B:

3.2.10 As set out above under ASO (a) for Component B, use of the CNDM will follow a batched network design which will consider applications in batches, in a coordinated fashion against strategic plans, which we expect will increase efficiency. CM095's reference to the CNDM also means that the process followed for network design can be updated more quickly if 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 as further set out above under ASO (a) for Component B. As mentioned under ASO (a), there is an annual review of the efficacy of the Methodologies and the Authority can also direct NESO at any time to update the Methodologies if certain objectives are not met. This should allow for the reformed processes to be consulted on and updated to ensure they are delivering as expected and thus further assist NESO in meeting its obligations.

3.2.11 We consider that Component B will better facilitate the achievement of NESO's duties to:

- promote an efficient, coordinated and economical transmission system, since: 1) NESO will be obligated to assess projects in batches allowing for more efficiency when designing the network and 2) can flexibly update the new governance framework, amending it quickly following a consultation to avoid an inefficient outcome; and
- promote the net zero objective, since the network design can keep pace with climate goals and strategic planning, eg the CP2030 Action Plan.

3.2.12 This will all benefit consumers through greater efficiency ultimately resulting in lower cost and promotion of net-zero.[37] This is a benefit that ASM1 meets less effectively, given its potential to codify the Methodologies.

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

[37] Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 2: "*Appraisal of Impacts – Impact on network build and connection dates – Impacts on Consumers*".

Component C:

3.2.14 Overall, the provisions for Reservation added by Component C will better facilitate the achievement of ASO (b). We consider that this tool will 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 tool can ensure that NESO, in exercising its discretion on when to use the tool, 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). Although, there may be some potential for Component C to not better facilitate the achievement of ASO (b) if the Reservation tool is overused, it could jeopardise some of the benefits of the Proposal, as described above under ASO (a). However, reserved projects will still be assessed before receiving a Gate 2 offer as with any other project and the Reservation will be timebound so that capacity will not be reserved in perpetuity. This can partially mitigate the risk of Reservation being used too often.

3.2.15 Overall, we find that Component C will better facilitate the achievement of ASO (b) than the status quo.

ASM1

3.2.16 ASM1 was raised to align with WACM6 of CMP434 by obligating NESO to perform a review of Methodologies which could lead to their potential codification. As set out in our assessment of ASM1 under ASO (a), we believe that ASM1 better facilitates this ASO than the status quo, but less effectively than the Original Proposal since it has the potential to lead to codification which would then decrease the flexibility that Component B has in respect of being able to change the CNDM, as under the status quo.

3.2.17 We also consider that the Methodologies being contained outside the codes is most appropriate, given NESO's role and responsibilities regarding ASO (b). Given the contents of the Methodology documents, it is right that the Methodologies themselves

are authored by NESO, so that it may make the right decisions for the connections process as and when needed.

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

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

Workgroup and Panel view

3.3.1 It was thought by workgroup and panel members that both proposals would result in a more coordinated process during the production of TOCOs. The majority of workgroup and panel members believed that the Original Proposal better facilitated the achievement of ASO (c).[38] 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.

3.3.2 Most members thought that ASM1 better facilitated the achievement of ASO (c) compared to the status-quo.[39]

Our view

3.3.3 Since ASO (c) covers matters which have already been addressed in ASOs (a) and (b), we consider the effect on ASO (c) to be positive, for the same reasons as for ASOs (a) and (b).

ASM1

3.3.4 As above, please see our analysis for ASOs (a) and (b). We find 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.

[38] 13 positive,2 negative and 1 neutral vote against ASO (c). As set out above for ASO (b), the vote for ASO (b) in the original FMR is now listed for ASO (c) and so forth.
[39] 13 positive, 2 negative and 1 neutral vote against ASO (c).

3.4 (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

3.4.1 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).[40] This was mainly due to the Original Proposal better facilitating competition by allowing viable projects that are ready and needed to connect faster. Further, it was noted that the Original Proposal would be a net positive for investment plans in the long run, due to greater clarity about what would connect and where.[41] 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.

3.4.2 The ASM1 proposal was also seen by workgroup and panel members to better facilitate the achievement of ASO (d), as indicated through their votes.[42]

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (d).
The higher entry requirements that the gated process will facilitate, will incentivise more robust applications and the most ready projects to come forward. This will also 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, although this is self-correcting another part of the process. However, the Proposal does

[40] With 10 positive, 2 negative and 4 neutral votes against ASO (c) in the original FMR and Annex 9 to the original FMR.
[41] Investor confidence can in turn lead to more projects being invested in and ultimately (if they eventually connect as expected) competing in the generation and supply of electricity.
[42] With 10 positive, 2 negative and 4 neutral votes against ASO (c).

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 the status quo.
Overall, we find that Components A, B, and C, are neutral as regards ASO (d
We consider that ASM1 would be neutral as regards ASO (d).

3.4.3 We consider that the Original Proposal and ASM1 are neutral as regards ASO (d).

Component A:

3.4.4 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. This will then incentivise applicants to develop more 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. Capacity will therefore be allocated to the most competitive projects as projects in the connections queue will be sufficiently well-progressed, which will help to facilitate achievement of ASO (d) since it ensures scarce capacity is most appropriately allocated to ready and needed projects.

Further, we consider 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 will be needed and therefore they are more likely to receive connection dates that they can then invest upon. The predictability of the bi-annual windows should also help to secure investor confidence, leading to greater competition as set out above. Furthermore, they will 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.

3.4.5 However, there is greater restriction on who can connect to and access the market, since the current system does not have as high entry requirements and one minded-to respondent noted that the Proposal would have slower decision timescales regarding offer outcomes when compared to the status quo. Additionally, the introduction of bi-annual application windows 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.

Application windows place pressure on new applicants to have their 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 is more restrictive to competition than the status-quo, since some customers can no longer apply at any time.[43] These outcomes will have an initial dampening effect on competition, but we expect that the net outcome will be positive due to the abovementioned, future benefits to competition.

3.4.6 Another response to the minded-to consultation sought stronger enforcement mechanisms for DNO non-compliance with regards to project progressions; however, this is beyond the scope of the Proposal and instead is relevant to CMP434 (and is addressed in CMP434 through the approval of WACM2, see CMP434 decision for more information[44]).

3.4.7 Overall, we find that Component A has a neutral impact on ASO (d) for the above reasons.

Component B:

3.4.8 Whilst we do not expect the CNDM to directly facilitate competition, we do expect Component B will facilitate the production of offers by assessing offers via the CNDM which can be flexibly updated to improve competition should that be necessary and by being a key part of the broader package of reforms which is expected to improve competition overall. Notwithstanding these benefits, given that Component B does not directly facilitate competition, we believe it will have a neutral impact as regards ASO (d).

3.4.9 Overall, we find that Component B has a neutral impact on ASO (d) for the above reasons. This is a change from our minded-to decision because we have further

[43] We recognise distribution customers will continue to be able to apply all year round; however, the timeline for DNOs and iDNOs submitting Transmission Evaluation Applications to NESO will be on the same timeline as the regular application windows for transmission customers.
[44] Ofgem, *CMP434 Decision*, April 2025.

assessed the arguments and believe that this is more balanced than previously thought.

Component C:

3.4.10 Component C helps ensure that projects that otherwise could find themselves indirectly pushed out of the connections process due to factors beyond their control (eg interconnectors and OHAs, due to the nuances of acquiring an offshore lease) remain able to competitively seek a Gate 2 Offer and are not indirectly disadvantaged by the gated process. Shown as an example: an interconnector (or OHA User) would have a connection point confirmed ahead of them reaching Gate 2 through Capacity Reservation, therefore allowing the project to apply and secure the necessary offshore lease, thereby meeting Gate 2. Without the Capacity Reservation function, these types of assets would not know their connection point and may not have been able to meet Gate 2 (due to the nuances of acquiring an offshore lease). We therefore consider the Reservation tool an essential feature of CMP434 in order to facilitate effective competition.

3.4.11 One minded-to respondent thought that the Methodologies did not adequately identify 'ready' interconnectors. However, this is why Capacity Reservation exists. We acknowledge that the circularity issue for interconnectors and OHAs is not an issue which presently exists under the status quo. This problem only arises through the creation of the gated process and the setting of the Gate 2 Criteria. Therefore, to this extent the Reservation feature equally facilitates ASO (d) compared to the status quo as these parties do not suffer detriment under the status quo and Component B ensures this remains the case through TMO4+.

3.4.12 Further, it is important to note that where Reservation is used, capacity is being set aside for projects which have not yet met the Gate 2 criteria and are therefore not yet able to demonstrate that they are 'ready'. It is imperative that NESO uses this power proportionately to not end up using Reservation to cater for projects which cannot demonstrate readiness, at the detriment of those who would otherwise be ready to connect. Were this to occur in practice, this 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 are appropriate checks to ensure capacity is appropriately allocated.

3.4.13 Two minded-to respondents were concerned about NESO having the sole discretion to reserve capacity, with one calling for a standardised process and the other for a more limited process with defined processes for transparency and dispute resolution. We recognise these concerns, but consider it is appropriate for NESO to have autonomy on this tool, given its role and responsibilities as system operator. As signalled, we recognise the need for this tool to be used only where necessary.

3.4.14 Overall, we find that Component C has a neutral impact on ASO (d) for the above reasons.

ASM1

3.4.15 Overall, we find that ASM1 has a neutral impact on ASO (d) as it follows the same processes which cause the Original Proposal to be neutral.

3.5 (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

3.5.1 Most workgroup and panel members were of the view that the Original Proposal was neutral as regards better facilitating the achievement of ASO (e).[45] The same view was expressed for ASM1.[46]

[45] With 14 neutral and 2 negative votes against ASO (d) in the original FMR and Annex 9 to the FMR.
[46] With 13 neutral, 1 positive and 2 negative votes against ASO (d) in the original FMR and Annex 9 to the FMR.

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (e).
The Original Proposal's 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 benefit security of supply. Further, it facilitates CP2030 which will aid security of supply by providing for a diverse range of generation and storage which can be relied upon to meet demand across a range of scenarios. Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than the status quo. Capacity and Connection Point Reservation will ensure that projects critical for security of supply can access the network. Overall, we find that Components A, B, and C will better facilitate ASO (e).
We consider that ASM1 should better facilitate ASO (e) better than the status quo, but not as effectively as the Original Proposal. This is because potential codification of the Methodologies could limit the NESO's ability to more quickly implement any desired changes to the new process.

3.5.2 We consider that 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:

3.5.3 Component A will help to ensure only the most ready and needed projects are allocated capacity and queue position and will work towards prevention of capacity being allocated to projects that are ultimately unlikely to connect. This ought to bolster security of supply since those projects that are more viable can connect with certainty and as soon as possible. In contrast, the status quo would see less well-progressed projects that may not ultimately connect finding it easier to get a queue position, which could jeopardise security of supply. This is because the more ready and needed projects that connect to the system, the faster the country is able to deliver a decarbonised, secure system (which realising the Clean Power 2030 Action Plan will enable). Further, this will increasingly insulate GB electricity consumers from requiring

both imported, external sources of energy and fossil fuels which are vulnerable to price spikes.[47]

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

Component B:

3.5.5 We expect Component B's facilitation of the CNDM, which assesses projects against CP2030 Action Plan, will align connections with system need because the CNDM signposts to wider strategic plans which will be formulated to ensure security of supply.[48] Like ASOs (a), (b), (c), and (d), we are also of the view that using a document which can be updated as needed, the CNDM, to create offers will give 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.

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

Component C:

3.5.7 The Capacity Reservation tool that Component C refers to will be beneficial for allowing projects like OHAs and interconnectors, which could otherwise suffer detriment due to the circularity problems explained under Component C of ASO (d), with regards to meeting the Gate 2 Criteria. We expect Reservation to allow a balanced mix of technology onto the system, which should ensure protection of the security and quality of supply. Under the status quo, any projects not aligned with system need could block projects that may be required to ensure security of supply, which could be harmful to security of supply.

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[47] Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 2: "*Appraisal of Impacts – Impact on network build and connection dates – Impacts on Consumers*".
[48] Connections Network Design Methodology (CNDM) at paragraph 2.2.2.

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

ASM1

3.5.9 As above, please see our analysis for ASOs (a) and (b). We find that ASM1 better facilitates the achievement of ASO (e) than the status quo, but less effectively than the Original Proposal due to the potential for it to lead to codification of the Methodologies.

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

Workgroup and Panel view

3.6.1 Most members were of the view that the Original Proposal better facilitated the achievement of ASO (f).[49] This is due to members expressing the view that the Proposal would lead to greater transparency. Therefore, projects would receive more information and an opportunity to refine their decisions in the light of the CP2030 Action Plan. Furthermore, the view was expressed that the Original Proposal would better facilitate coordination compared to the status quo.

3.6.2 Members also thought that ASM1 better facilitated the achievement of ASO (f).[50] 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.

[49] With 12 positive, 2 negative and 2 neutral votes against ASO (e) in the original FMR and Annex 9 to the FMR.
[50] With 11 positive, 3 negative, 2 neutral votes against ASO (e) in the original FMR and Annex 9 to the FMR.

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (f). The Original Proposal's 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 benefit efficiency in implementation and administration of the STC. Further, the more predictable demand curve of the gates and windows will allow NESO and the TOs to adequately prepare for the increased workload. Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than status quo. Overall, we find that Components A and B will better facilitate ASO (f) than the status quo, whereas Component C is neutral.

We consider that ASM1 would better facilitate ASO (f) better than the status quo, but not as effectively as the Original Proposal. This is because the potential codification of the Methodologies could limit the NESO's ability to more quickly implement any desired changes to the new process.

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

Component A:

3.6.4 Component A will result in good industry practice and greater due diligence. The gated process and bi-annual application windows enable NESO and TOs to take all application received in a window in batches which will lead to a more coordinated network design. As offers are batched and the queue position is sorted, this will improve efficiency in the implementation and administration of the STC arrangements overall. It was noted by one minded-to respondent that Users may see longer timescales when receiving offers due to the extra work required. While there may be some extra administrative work required initially, we expect the net outcome to be positive due to NESO and the TOs not needing to do administrative work for projects which ultimately will not connect, versus the status quo which has a lower barrier to entry.

3.6.5 Further, the more regular rhythm of the bi-annual application windows will allow NESO and the TOs to manage applications and handle offers more appropriately, as they will

be able to better prepare and resource themselves for peaks of applications at these pre-defined periods each year. This contrasts with the status quo which can see applications made at any stage (and any volume) throughout the year. This will lead to greater efficiency in implementation and administration of the STC arrangements.

3.6.6 A minded-to respondent raised concerns that the TOs and NESO would be faced with very high levels of connections and assessment work, and that this would require further coordination to mitigate. Our view is that, while it is possible that the number of applications is higher than TOs and NESO prepare for, we view this risk as low, given the involvement of these organisations in the development of these proposals and therefore their awareness of what work these reforms will entail. Subsequently we expect adequate coordination to have taken place between these organisations to prepare for the increased workload.

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

Component B:

3.6.8 We do recognise that using the CNDM to assess projects might be more complex and administratively demanding than doing so under the *first-come, first-served* approach, however we expect this to be more efficient than expending resource in assessing projects which will not ultimately connect.

3.6.9 Like ASOs (a), (b), (c), and (d), we are also of the view that using a document which can be updated as needed, the CNDM, to create offers will give NESO greater flexibility and control to address emerging issues which may harm efficiency in the implementation and administration of 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. Such an emerging issue could theoretically lessen the benefits of Component A.

3.6.10 Specifically regarding ASO (f), this new governance arrangement which is simpler and more streamlined will enable changes to be enacted more quickly through avoiding the

code modification process which will: 1) avoid the administration effort required with the lengthy code modification process and 2) grant NESO and TOs more time to focus on promoting efficiency in the implementation and administration of the STC arrangements.

3.6.11 Overall, we find Component B will better facilitate the achievement of ASO (f) for these reasons.

Component C:

3.6.12 We consider that Component C will 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 benefits of: 1) potentially avoiding any potential disputes with connection customers that (in the absence of a Reservation tool) could arise from being unable to achieve a Gate 2 offer due to the circularity problem mentioned under Component C of ASO (d) and 2) ensuring capacity does not remain Reserved for projects that it has become apparent will not end up ultimately progressing to Gate 2. We also expect the administrative burden that will be added via Component C will be proportionate to the number of projects it is necessary to reserve capacity for, such that it will be offset by the benefits of reserving capacity for those projects.

3.6.13 Further, we consider Reservation is needed to prevent inefficiency in the STC arrangements – without this, certain projects (as explained in more detail above at ASO (a)) could be unable to secure a route to a Gate 2 offer. In the event this occurred, this could create an additional administrative burden for NESO in handling disputes with these affected parties. Reservation must exist to protect the route to market for these Users and avoid any associated disputes or additional burdens that could otherwise exist in the absence of such a Reservation tool.

3.6.14 Overall, we find that Component C has a neutral impact on ASO (f) for the above reasons.

ASM1

3.6.15 As above, please see our analysis for ASOs (a) and (b). We find that ASM1 better facilitates the achievement of ASO (f) than the status quo, but less effectively than the Original Proposal due to the obligation on NESO to carry out a review and publish a report on the Methodologies' performance which could lead to eventual codification of the Methodologies. This in itself is evidently an administrative burden which would be placed on NESO and would therefore negatively impact ASO (f).

3.6.16 In the event ASM1 did lead to the eventual codification of the Methodologies NESO, TO and industry resource would have to be dedicated to codifying the Methodologies through the code governance process. This typically demands regular workgroups and attendance, two sets of consultation, creation of an FMR and ultimately submission to the Authority for decision, all of which takes up NESO, TO and industry resource, meaning that resource cannot be used elsewhere to promote efficiency in the implementation and administration of the STC arrangements.

3.6.17 Overall, we find that ASM1 would be positive as regards better facilitating the achievement of ASO (f) for these reasons. This is a change from our minded-to decision because we have further assessed the arguments and believe that this is more positive than previously thought.

3.7 (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

3.7.1 The Original Proposal was mainly seen as better facilitating the achievement of ASO (g).[51] 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 provided a clear route for reserving connection points and capacity for

[51] With 13 positive,2 negative and 1 neutral vote against ASO (f) in the original FMR and Annex 9 to the FMR.

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

3.7.2 ASM1 also received mainly positive votes as regards better facilitating the achievement of ASO (g).[52]

Our view

This section provides our analysis of the Original Proposal and ASM1 against ASO (g).
The Original Proposal's higher entry requirements that the gated process will facilitate will limit access for projects which don't meet Gate 2 but will ultimately incentivise more robust applications and ready projects, resulting in quicker access and generation and distribution of electricity. Connection Point and Capacity Reservation measures help to make the process as fair as possible for all project types. Use of Methodologies, including the CNDM, will enable changes to be made more quickly and efficiently than status quo. Overall, we find that Components A, B, and C are neutral with regards to ASO (g).
We consider that ASM1 is neutral with regards to ASO (g).

3.7.3 We consider that the Original Proposal and ASM1 are neutral as regards ASO (g).

Component A

3.7.4 The new gated process will present higher barriers to access, limiting projects that do not meet the Gate 2 criteria. It will see slower offer decision timescales, as noted by one minded-to respondent. Additionally, the introduction of bi-annual application windows could have a slightly negative impact on access 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. Application windows place pressure on new applicants to have their 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 is more restrictive than the status-quo, since some customers can no longer apply at any time.

[52] With 13 positive, 2 negative and 1 neutral vote.

3.7.5 However, it will ultimately help facilitate access to the network by only allowing the most ready and needed projects to progress, and in a timely manner. We expect that a significant reduction in the pipeline of projects will improve connection dates for new applicants seeking connection.[53]

3.7.6 Overall, we find that Component A has a neutral impact on ASO (g) for the above reasons. This is a change from our minded-to decision because we have further assessed the arguments and believe that this is more balanced than previously thought.

Component B

3.7.7 The application of the CNDM by NESO and the TOs does not appear to affect the facilitation of access to the system. Therefore, we consider Component B has a neutral impact against ASO (g) when tested against the status quo, on the basis that facilitation of access to the NETS (for generation not yet connected) is not materially worsened or improved by Component B.

3.7.8 Like ASOs (a), (b), (c), (d), and (f) we are also of the view that using a document which can be updated as needed, the CNDM, to create offers will give NESO greater flexibility and control to address emerging issues which may harm access to NETS or distribution system, 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.

3.7.9 Overall, we find that Component B has a neutral impact on ASO (g) for the above reasons. This is a change from our minded-to decision because we have further assessed the arguments and believe that this is more balanced than previously thought.

[53] Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "*Appraisal of Impacts – Impact on network build and connection dates*".

Component C

3.7.10 Component C could better facilitate access to the NETS for generation not yet connected to the NETS or Distribution System because it will allow NESO to reserve the Connection Point to the TOs who can then carry out the Gated Design work with this in mind. This will reserve capacity even if the project is at Gate 1, until it gets to Gate 2 (within limits, there is an expiry date to the Reservation of each Gate 1 Offer with Reservation which will act as a safeguard alongside the annual review NESO will conduct with the project).

3.7.11 The gated process could pose a difficulty for the development of some projects such as interconnectors and Offshore Hybrid Assets (OHAs), in the event Component C did not exist. This is because they need a confirmed connection point to meet Gate 2, but they may be unable to get a confirmed connection until they have met the Gate 2 Criteria. 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 will cause these issues in the first place.

3.7.12 Overall, we find that Component C has a neutral impact on ASO (g) for the above reasons.

ASM1

3.7.13 Overall, we find that ASM1 has a neutral impact on ASO (g) as it follows the same processes which cause the Original Proposal to be neutral. This is a change from our minded-to decision because we have further assessed the arguments and believe that this is more balanced than previously thought.

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

Workgroup and Panel view

3.8.1 Most workgroup and panel members thought that the Original Proposal had a neutral impact as regards better facilitating the achievement of ASO (h).[54] The same was true for ASM1.[55]

Our view

3.8.2 We agree that the Original Proposal will 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

3.8.3 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.

[54] With 14 neutral votes and 2 negative.
[55] With 14 neutral votes, 1 negative and 1 positive.

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

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

4.2 We consider approval of the Original Proposal is 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 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.[56]

4.3 Approval of CM095 and the overall package of TMO4+ 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 the Clean Power 2030 Action Plan and as such, avoiding unnecessary overbuild of the network that will otherwise be needed for the current queue and which will 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, eg through more timely connection of demand.

[56] 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).

Other relevant statutory duties

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

Decision notice

In accordance with Standard Condition B12 of the Electricity Transmission Licence and Condition E4 of the Electricity System Operator Licence, the Authority hereby directs that the Original Proposal of CM095: '*Implementing Connections Reform*' be made.

Jack Presley Abbott

Deputy Director – Strategic Planning and Connections

Signed on behalf of the Authority and authorised for that purpose