Connection and Use of System Code (CUSC) CMP434: Implementing Connections Reform

Decision	The Authority[1] determines that Workgroup Alternative CUSC Modification Proposal WACM2 of this modification be made[2]
Target audience	National Energy System Operator (NESO), Parties to the CUSC, the CUSC Panel and other interested parties
Date of publication:	15 April 2025
Implementation date:	10 June 2025

[1] References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

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Executive Summary

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 CMP434 and any alternatives, the views of NESO as proposer of CMP434 (ie of the Original Proposals), the views of Workgroup members, CUSC Modification Panel ('the Panel') members and those who responded to the Code Administrator Consultation ('CAC') as well as the views of those who responded to our Minded-to consultation. It also contains a summary of views expressed on any alternatives raised. We then assess CMP434 and any alternatives against the Applicable CUSC Objectives ('ACOs') as compared to the status quo, taking into account any views expressed, and decide which option best facilitates achievement of the ACOs.

Following this evaluation of all options, we have decided to approve **WACM2** of CMP434. We compare our approved option (WACM2) for CMP434 as against the status quo, Original Proposal and any other Workgroup Alternative Code Modifications ('WACMs') and provide our reasoning as to why we find our decision better facilitates achievement of the ACOs than the status quo, Original Proposal and any other WACMs.

We also provide our assessment of our decision against our Principal Objective and 'wider' statutory duties.[3] 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.

We acknowledge our final decision differs from our Minded-to position set out in our Minded-to consultation on 14 February 2025.[4] At that time, we intended to approve WACM7. WACM7 contained all the core features of the Original Proposal that we deemed positive against the

[3] The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.
[4] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.

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ACOs, with the addition of a Pause to allow Users to self-regulate following publication of a Gate 2 Register. This feature would have introduced greater transparency and potentially competition when compared to the Original Proposal and other WACMs.

However, the majority of respondents to our Minded-to consultation, despite welcoming the greater transparency of information, were unclear or did not believe that the information that would be published in itself was sufficient to lead to any behaviour changes by Users (if WACM7 had been approved). Consequently, WACM7 (as is explained in greater detail below) tests less positively against the ACOs as it did at the time of our Minded-to consultation, and ultimately less positively than WACM2. Nonetheless, we still believe the transparency of information that WACM7 would have achieved should be pursued as far as possible for the benefit of consumers and CUSC Users. Therefore, we encourage NESO to explore options to secure this data transparency outwith CMP434, to go alongside the reformed connections process for new application windows moving forward.

Our rationale for approving WACM2 (set out in greater detail below) is:

- WACM2 contains all of the core features of the Original Proposal which we deem positive against the ACOs: creation of Methodologies to house core components of the connections process; incorporation of a Gated approach, with application windows; a Letter of Acknowledgement requirement; Reservation of capacity for projects where there is need; new ongoing compliance requirements; duplication checks, and more;
- Furthermore, WACM2 places firmer obligations on DNOs/iDNOs with regard to submitting project information to NESO, which will help to secure adherence to the timescales specified in the Gated Application and Offer Process. This will benefit NESO and TOs in preparation for and carrying out of the Gated Design Process, such that all actors can have confidence that all eligible connection applications from a relevant application window will be included in the process, resulting in the connections queue being optimised and connection customers receiving connection offers on time;
- WACM2 is an improvement on the Original Proposal in that it seeks to address a shortcoming of the Original Proposal (discussed in greater detail below at Element 13 of ACOs (b) and (d)) which exists with it: the Original Proposal (and all other WACMs)

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could have resulted in varying experiences for connection customers depending on which DNO/iDNO they liaised with. WACM2 eliminates this likelihood of differing outcomes for customers depending on where their project is located regionally, which we consider is fairer both to customers and across DNOs/iDNOs;

- To this extent, WACM2 may result in fewer disputes arising between DNOs/iDNOs and connection customers;
- WACM2 is the best option to ensure most equal alignment between transmission and distribution, and therefore is likely to have the most positive impact on competition;
- WACM2 is the best option to ensure all connection customers are expected to receive connection offers on time and as expected in relation to their relevant application window.

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1. Background

1.1 The background to CMP434 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 CUSC.[5] The CUSC constitutes the contractual framework for connection to, and use of, the electricity transmission network in GB.

1.3 In accordance with the NESO Licence, Section 8 of the CUSC provides a mechanism for parties to propose changes which they consider better facilitate the achievement of the ACOs.[6] The proposals and any WACMs are reviewed by industry participants through a consultation process, including workgroups, and the process is overseen by the Panel. All CUSC modification proposals, other than modifications following the self-governance or fast track processes, can only be implemented upon approval by the Authority.

1.4 In deciding whether to approve or reject a proposal or any WACM, the Authority must consider whether the proposed modification would, as compared with the then existing provisions of the CUSC and any WACMs set out in the Final Modification Report (the 'FMR'), better facilitate the achievement of the relevant ACOs (which are set out below), as appropriate. In making its decision, the Authority must also act in accordance with its principal objective to protect the interests of existing and future consumers, and its statutory duties.[7] This includes 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 is provided in our Overarching document.

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

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The ACOs

1.5 The ACOs against which the options under CMP434 are to be assessed are set out in Condition E2.4 (b) of the NESO Licence:

> *(a) the efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence;*[8]
> *(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
> *(c) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and*
> *(d) promoting efficiency in the implementation and administration of the CUSC arrangements.*

[8] In respect of this ACO, please see our letter here. Please also see footnote 44 on page 19 of this document.

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2. The modification proposal

2.1 CMP434 proposes to move away from a *first come, first served* approach (to the connections process) by putting in place the framework for a *first ready and needed, first connected* process. It will establish a new gated process for most new applications for connection.[9] This is proposed to be enabled by the Methodologies (to be introduced via changes to the NESO Licence – which we are approving as part of this overall package of TMO4+ reforms[10]) which themselves will be supported by NESO guidance.[11] The guidance documents are intended to aid readers in understanding in practical terms how the reforms would affect CUSC parties operationally.[12]

2.2 CMP434 will establish processes for all new applications for connection, while CMP435 (decision published separately) will set the rules for the one-off "Gate 2 to Whole Queue" exercise, during which the new Methodologies will be used to filter and reorganise the existing queue.

Original Proposal

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

- **Element 1: Proposed Authority approved Methodologies and NESO Guidance** – the incorporation of provisions into the CUSC which introduces a high-level concept of the Methodologies to give them a functional link into the codes,

[9] Embedded Demand is not in scope of CMP434. See "Element 3" of the CMP434 Final Modification Report on page 13 for more information on which projects are affected by CMP434.
[10] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[11] NESO, CMP434 FMR, 20 December 2024.
[12] 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.

which then are fully drafted and updated outside of the code governance and associated modification process. These Methodologies are: the Gate 2 Criteria Methodology, the Connections Network Design Methodology ('CNDM'), and the Project Designation Methodology ('PDM').[13]

- **Element 2: Introducing a bi-annual application window and two formal gates, which are known as Gate 1 and Gate 2 (ie, the Primary Process)** – a new connections process, moving to a bi-annual application window with two formal gates. Depending on the status of the project, ie whether it meets the Gate 1 or Gate 2 criteria, will dictate the type of connection offer the customer receives.[14]
- **Element 3: Clarifying which projects go through the Primary Process** – notes the types of projects in scope of CMP434, including directly connected generation, directly connected interconnectors and offshore hybrid assets, directly connected demand, large embedded generators and relevant small and medium embedded generators.[15]
- **Element 4: Significant Modification Applications** – codifies the concept of a significant modification application, and will have separate guidance published by NESO on this prior to implementation.[16]
- **Element 5: Clarifying any Primary Process differences for customer groups** – outlines the differences in the Primary Process for certain customer groups, particularly Large Embedded Generators requesting a Gate 1 or Gate 2 offer; Relevant Embedded Small or Medium Power Stations requesting a BEGA; Relevant Embedded Small/Medium Power Stations; and offshore projects.[17]
- **Element 9: Project Designation** – codifies the concept of a PDM to allow NESO to designate[18] projects that can deliver significant net zero, system or consumer benefits and meet certain criteria (criteria set out in NESO's PDM[19]).[20]

[13] CMP434 Final Modification Report, page 9-10.
[14] CMP434 Final Modification Report, page 10-12.
[15] CMP434 Final Modification Report, page 12-13.
[16] CMP434 Final Modification Report, page 13. NESO is currently developing the 'Gated Modification Application' guidance, which is what Element 4 relates to.
[17] CMP434 Final Modification Report, page 14-16.
[18] To 'designate' means to elect specific projects for inclusion in the reformed connections queue or for potential prioritisation within that queue based on predefined criteria, as set out in the PDM.
[19] NESO, Project Designation Methodology, page 9.
[20] CMP434 Final Modification Report, page 16.

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- **Element 10: Connection Point and Capacity Reservation** - this feature gives NESO discretion to reserve capacity for a project which has not yet met the Gate 2 criteria, such that this capacity will not be available for other projects (which have met the Gate 2 criteria) to have that capacity allocated to them. NESO already has the ability to reserve substation bays, however it is presently only used in the Network Services Procurement process (previously Pathfinders).[21]
- **Element 11: Setting out the criteria for demonstrating Gate 2 has been achieved and setting out the obligations imposed once Gate 2 has been achieved –** this incorporates reference to (and reliance upon) the terms of the Gate 2 Criteria Methodology into the CUSC. Further, this Element imposes obligations on parties that have met the Gate 2 criteria (ongoing compliance requirements).[22] Failure to meet these obligations will impact the relevant party's entitlement to the intended installed capacity (and potentially Transmission Entry Capacity) or termination. These include the land rights and planning:
    - Land requirements: the project must continue to show it has the appropriate land rights for the project, as introduced through CMP376[23]; the project will face restrictions on amending its project site location (for whatever installed capacity is built within the Original Red Line Boundary ('ORLB'), only 50% of that can be located outwith the ORLB, in absence of NESO discretion). Furthermore, the project must comply with minimum acreage requirements.[24]
    - Planning: the deadline to meet milestone 1 (per Queue Management[25]) will be the earlier of either the date calculated forward from the point at which a project meets the Gate 2 criteria (according to the timescales set out in the Planning timetable in CMP434[26]) or the date backwards-calculated from the

[21] CMP434 Final Modification Report, page 16-17. Reservation is only available to Gate 1 applicants and will only be provided for in a Gate 1 Offer where the User has indicated in its application form that it wishes to be considered for this. Capacity may only be reserved on the transmission system: the distribution system is out of scope of the Reservation tool. Where a Gate 1 Offer with Reservation is made, the connection date and connection location of the Connection Site or Transmission Interface Site or site of connection may be provided and identified in the Gate 1 offer. Further, any subsequently made Gate 2 Offer will be made on that basis (ie with same specified site).
[22] CMP434 Final Modification Report, page 17-21.
[23] CMP376: Inclusion of Queue Management process within the CUSC | Ofgem.
[24] As according to the Energy Density Table set out under CMP427.
[25] CMP376: Inclusion of Queue Management process within the CUSC | National Energy System Operator.
[26] CMP434 Final Modification Report, page 20.

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project's contracted completion date (relying on the Queue Management process).[27]

- **Element 13: Gate 2 Criteria Evidence Assessment** – the criteria for meeting Gate 2 is set out in the Gate 2 Criteria Methodology[28]; introduces the concept of Readiness Declarations (for developers to fill out to verify they have met the Gate 2 criteria with supporting evidence, including the ORLB of that project, as per Element 11 above) and subsequent duplication checks (for NESO to check the land submitted as evidence of meeting Gate 2 Criteria has not already been used as part of any other Gate 2 offer) into the CUSC.[29]
- **Element 15: Changing the offer and acceptance timescales to align with the Primary Process timescales (e.g., a move away from three months for making licensed offers)** – there is reference made to a new Gated Timetable, which is conditional on the licensed application and offer timescales being amended.[30]
- **Element 16: Introducing the proposed Connections Network Design Methodology (CNDM)** – incorporates reference to (and reliance upon) the CNDM, which contains the process that NESO, Transmission Owners (TOs) and Distribution Network Operators (DNOs) will follow to assess connection applications and determine offers for generation, interconnection, storage and transmission connected demand. Significantly it includes the approach to applying Strategic

[27] The Queue Management process put in place an obligation on Users to meet milestones by a certain point in time. Milestone 1 is an obligation for the User to submit planning consent, and is calculated by working backwards from the User's planned completion/connection date. How long a User will have to meet M1 will vary depending on how far into the future their completion date is. The addition of Element 11 adds a different lens through which the M1 duration can be calculated. The new M1 planning table (as set out in CMP434 FMR at page 20) sets out the durations calculated forwards from when the applicant meets gate 2 to give a deadline for when to have met M1 by. The overlap of Element 11 and QM means that the earliest deadline of the two ways of calculating M1 duration will always be what is imposed on the developer.
[28] NESO, Gate 2 Criteria Methodology.
[29] CMP434 Final Modification Report, page 21-22. The developer will need to provide a Declaration (that their project has met the Gate 2 criteria, with supporting evidence, including the ORLB of that project, as per Element 11 above) to NESO (or, in respect of Relevant Small and Medium Embedded Power Stations, to the DNO or transmission connected iDNO) as part of their Gate 2 Application within the Gate 2 Process. DNOs or Transmission connected iDNOs will need to submit to NESO a copy of the Declaration(s) and project's ORLB provided to them in respect of Relevant Small and Medium Embedded Power Stations.
[30] CMP434 Final Modification Report, page 22.

Alignment criterion B[31] in the Gate 2 Criteria Methodology to relevant projects informed by the capacities in the Clean Power 2030 Action Plan ('CP2030 Action Plan').[32]

- **Element 18: Set out the process for how DNOs and transmission connected iDNOs notify NESO of Relevant Embedded Small Power Stations or Relevant Embedded Medium Power Stations which meet Gate 2 criteria** – sets out the process and timescales for DNOs/iDNOs to submit connection application to NESO. Following closure of a Gate 2 Application window, DNOs/iDNOs are expected to: within 5 business days, provide basic construction planning assumptions to NESO; and within 15 business days, to provide full technical data.[33]

Workgroup Alternative Code Modifications

2.4 Alongside the Original Proposal, there are seven WACMs for CMP434. The various WACMs operate in general terms in the same way as the Original Proposal (by introducing new processes and definitions for certain new and modified connection applications that would update the existing processes and enable those projects that are most ready to progress to connect more rapidly) but propose variations to the specific operation or to specific Elements.[34] The WACMs and the way in which these differ from the Original Proposal are shown in the table below.

Alternative solution	Differences from Original Proposal
WACM1	Changes definition of Embedded power stations covered by the Primary Process to define them by capacity and adds new definitions for Category 1 and Category 2 Embedded Power Stations; clarifies treatment of Category 1 power stations at the <200kW threshold in Southern Scotland

[31] Connection customers must meet one of Strategic Criteria A-D. Strategic Criterion B is: aligned to the capacities within the Clean Power 2030 Action Plan as described in the Connections Network Design Methodology. This is further explained in our Ofgem *Decision: Gate 2 Criteria Methodology*, April 2025.
[32] CMP434 Final Modification Report, page 23.
[33] CMP434 Final Modification Report, page 23-24.
[34] See the section titled "*Summary of alternative solutions and implementation dates*" beginning on page 3 of the CMP434 FMR, for a short description of each WACM's effect.

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WACM2	Places firmer obligations on DNOs/iDNOs on submitting information to NESO, through removal of "*reasonable endeavours*" wording on obligations to submit information to NESO within 5 and 15 business days after the closure of the Gate 2 Application Window, instead tying this to the timescales specified in the Gated Application and Offer process
WACM3	Codifies a new mechanism which requires NESO to offer freed up capacity following termination to the next contracted project in queue that has met Gate 2; removes ability of NESO to use such capacity for Project Designation or Connection Point and Capacity Reservation (which it would be able to do under the Original Proposal) and to this extent places restrictions on CNDM.
WACM4	Removes the ability of NESO to relax the 50% permitted tolerance to the ORLB requirements; removes ability for 50% tolerance to be updated via Queue Management guidance; codifies the permitted tolerance threshold (in CUSC).
WACM5	Removes references to Project Designation, with the intention and implication that the PDM will not exist such that NESO does not have the ability to designate certain projects
WACM6	Obligates NESO to undertake a review of the Methodologies 12 months after the first gated run, then publish and report back to Panel the output of its review; Panel then determines whether to set up a standing group to determine if the Methodologies should be codified (in CUSC).
WACM7	Introduces a Pause for market self-regulation before NESO and TOs begin the Gated Design Process; obligates NESO to, following completion of Gate 2 evidence assessment, compile and publish a Gate 2 Register with connection point, completion date, installed capacity and technology type of each project that has met the Gate 2 Criteria; Pause can be used by applicants to review published information in the Register and consider whether to update their decision making (self-regulate) for their project in light of this.

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Workgroup views

2.5 The Workgroup concluded by majority that the Original Proposal and all WACMs better facilitated the ACOs than the existing arrangements (baseline).[35] However, there were mixed views on which option best facilitated the ACOs.

CUSC Panel[36] recommendation

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

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

Ofgem minded-to consultation

2.8 On 14 February 2025, the Authority published a minded-to consultation on the overall TMO4+ package of reforms.[37] This consultation closed on 14 March 2025. We have reviewed and fully considered the responses received. The following is a summary of the novel responses received to this consultation (ie those which have not appeared in previous Workgroup or Code Administrator consultations) which commented on CMP434. Many of the points raised by consultation respondents were already captured

[35] CMP434 FMR, page 45/46 of Annex 11 – CMP Alternative and Workgroup Vote.
[36] The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.
[37] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.

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in our minded-to consultation, and so are not reflected again here. Responses which had views pertinent to different areas of the consultation (eg to the Methodologies or licence decisions) are covered in those separate decisions.[38]

2.9 On the first consultation question (*Do you agree with our Minded-to position to approve WACM7 of CMP434?*), of those who expressed a view, a slight majority of respondents were in agreement with our minded-to position to approve WACM7: with 24 in favour, 20 against, and 37 did not comment.

2.10 On the second consultation question (*Do you expect the Pause for market self-regulation and information published in the Gate 2 Register would lead to a different approach taken by projects?*), respondents were split on whether the Pause for market self-regulation and information published in the G2 Register would lead to a different approach taken by projects: with 17 in favour, 19 against, and 45 did not comment.

2.11 Reasons given in support of WACM7 were that projects could better understand information about their competitors and the location they were connecting to. More specifically that the Pause would occur at a time when many relevant aspects of connections would have changed, such as planning determinations – this would allow them to utilise the withdrawal processes. Some generally supported the enhanced transparency the Register offered - one reasoned that it would aid market confidence and planning, and mitigate appeals. Others' support was conditional on extra clarity around implementation and the process and the reliability of the Register.

2.12 However, many criticised WACM7, arguing it was not certain or likely that developers would change their behaviour in response to the Register and Pause, due to the information in the Register not being material enough to be of assistance. According to some respondents, some material information which, if included, would have strengthened the Register, would have been: details on the protections from the CP2030 Action Plan capacities being offered to projects; the application of CP2030

[38] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.

Action Plan capacity and strategic alignment status; relative queue position; and live granular information. For much of the desired aforementioned important information, it was recognised that this would only become clear after the Pause, ie the Gated Design Process. Some also thought the Pause (expected to have been 1 week) would have been too short for developers to decide on whether to withdraw. Others noted that similar information supposed to be in the register already existed, for example in the NESO TEC register, DNO ECRs, Connections 360 or CP2030 Action Plan alignment.

2.13 Others thought that developers would gain little value from the Register and Pause since they would have done all of their decision making before applying. Further, since developers would have expended great resource in progressing a project to this stage – and since holding a connection offer is deemed to be of great value – they would be unlikely to drop out before finding out whether they would be made a Gate 2 offer. Other reasons given were that: there was little room to self-regulate when NESO constrain supply with capacity allocations; that they can still back out at low cost by not signing the Gate 2 offer; and that customers can withdraw at any time under the Original Proposal.

2.14 General points raised about WACM7's processes and choice were myriad. WACM7's benefits were thought to be better met in other ways with correct processes by NESO in place. One view was that a live register should always be available, which would contain queue management removal information, and could be facilitated through enhancements to existing registers. One respondent suggested the Register could aggregate technology type data to protect commercially sensitive information.

2.15 WACM2 was praised for its ability to remedy the difficulty that DNOs can cause generators. The Authority was also encouraged to look at DNO obligations in the End-to-End review. One response called for an amalgamation of WACM2 and WACM7.

2.16 WACM6 was seen by one as the only way to know if the new process was performing as expected. Another thought an annual review was needed even if WACM6 was not chosen.

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Our decision

2.17 We have considered the issues raised by the modification proposal and the FMR dated 20 December 2024. We have considered and taken into account the responses to our Minded-to consultation[39] and the industry consultations on the modification proposal which are attached to the FMR.[40] We have also considered and taken into account the votes of the Workgroup and Panel on CMP434.[41]

2.18 We conclude that:

- All proposed solutions better facilitate the achievement of ACOs (a), (b), and (d) than the baseline, and all have a neutral impact on ACO (c). Overall, implementation of WACM2 will best facilitate the achievement of the relevant ACOs;[42] and
- directing that WACM2 be approved is consistent with our principal objective and statutory duties.[43]

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

[39] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[40] CUSC modification proposals, modification reports and representations can be viewed on NESO's website at: https://www.neso.energy/industry-information/codes/connection-and-use-system-code-cusc/cusc-modifications
[41] In carrying out this exercise of considering all issues raised, in this document, we have not individually addressed each of the issues raised, we have however considered all issues raised.
[42] As set out in Standard Condition E2 of the Electricity System Operator Licence.
[43] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

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3. Reasons for our decision

3.1 Original Proposal – *(a) The efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence*[44]

Workgroup and Panel view

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

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

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

[44] We note that ACO(a) refers to "*obligations imposed upon [the licensee] by the Electricity Act 1989 and by this licence.*" Previously, NESO held a transmission licence under s6(b) EA89; as such, the EA89 imposed certain general obligations on it via s9(2). Now, NESO holds an Electricity System Operator Licence under s6(da). NESO, as the designated ISOP, has a set of "general duties" under s163 of the EA23, which it must meet pursuant also to its licence obligations: A2.20; C1.2(d); E12.7. Further, general obligations on NESO can be found in Condition C1 of the NESO Licence including in C1 regarding whole systems: see Parts, A, D and E. These include obligations that are substantively similar to those contained in s.9 EA89. We therefore consider it appropriate to assess CMPs 434 & 435, in respect of ACO(a), through the lens of the obligations on NESO contained in both s163 and Condition C1. It is expected that ACO(a) will be updated in early course to make specific reference to the EA23 rather than the EA89, albeit the former comes into play in any event through the general provision of Condition A2.20. Finally, we note that in the FMRs, the proposals appear to have been analysed by reference to the language of s9 EA89 and NESO's former transmission licence. Given the similarities between these obligations and those now falling specifically on NESO, we did not consider it necessary to send back the proposals on this basis. We drew attention to this in this letter, and did not receive any responses raising concerns about this approach. We also note that no concerns were raised about this approach in response to our most recent minded-to consultation.

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3.1.4 WACM1, which would have changed the definition of embedded schemes, received support from workgroup and Panel members on ACO (a).[45] This positive impact was mainly seen by workgroup and Panel members in the increased transparency and consistency and clarification of the applicability of the scheme to embedded sites. Furthermore, the view was expressed by a Panel member that WACM1 would clarify the definition of relevant embedded generators for Transmission Impact Assessment ('TIA'). Also, workgroup members thought that WACM1 was positive as regards better facilitating the achievement of ACO (a) as it may promote the aggregated processing of connection applications. On the contrary, the view was expressed during the workgroup stage that it would be challenging to provide satisfactory legal text to facilitate this change in the CUSC.

3.1.5 WACM2, which introduces requirements for applications on DNOs and iDNOs under Gate 2, received support of workgroup and Panel members in relation to ACO (a).[46] Workgroup members also expressed the view that WACM2 would not align with the timescales that DNOs have to adhere to as part of the Original Proposal. Also, a Panel member thought that the CUSC was not the right place for these obligations, and they should rather be added to the DCUSA or Distribution Licences.

3.1.6 WACM3, which would have introduced a capacity reallocation mechanism to allow terminated capacity to be transferred to a project which has reached Gate 2 criteria, was supported by some workgroup and Panel members.[47] However, there was criticism as workgroup members were of the view that it could undermine future strategic network planning. A Panel member was of the opinion that WACM3, in introducing significant complexity could place restrictions on NESO and therefore result in a less efficient process. Furthermore, a Panel member thought that WACM3 would not better facilitate the achievement of ACO (a) as it could constrain the Methodologies and cause misalignment with broader objectives.

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

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3.1.7 WACM4, which would have codified restrictions on changes to project site location – ORLB post Gate 2 was seen by many workgroup and Panel members as positive.[48] The majority of workgroup and Panel members were of the view that WACM4 better facilitated the achievement of ACO (a) as it promoted more efficiency in the assessment of applications. On the contrary, some workgroup members were of the view that this requirement risked limiting the flexibility which will be introduced by Methodologies. In addition, the ORLB was seen by a workgroup member as powerful tool to remove stalled projects from the queue.

3.1.8 WACM5, which would have removed project designation from the Original Proposal was seen in a mixed view by workgroup and Panel members as regards better facilitating the achievement of ACO (a).[49] The proposal was supported by some on the basis that it would ensure fairness and transparency. Other workgroup and Panel members thought that project designation was a vital part of the process mainly required for the development of an efficient, economic and coordinated system to meet net zero. Furthermore, the view was expressed by a workgroup member that the CP2030 Action Plan had superseded WACM5 and the retention of project designation was vital to ensure its targets were met.

3.1.9 WACM6, which would have obligated NESO to undertake a review of the Methodologies before reporting back to the Panel to allow stakeholders to assess whether a code modification was required to codify the Methodologies and Guidance documents, received mixed views by workgroup and Panel members as regards better facilitating the achievement of ACO (a).[50] Some workgroup and Panel members thought that codification would allow for more scrutiny and would therefore better facilitate the achievement of ACO (a) whilst others held the view that this obligation should sit outside the CUSC, possibly in licences.

[48] WACM4 received the following votes: 25 Positive, 8 negative, 6 neutral.
[49] WACM5 received the following votes: 21 positive, 9 negative and 8 neutral.
[50] WACM6 received the following votes: 30 positive, 6 negative, 3 neutral.

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3.1.10 WACM7, which would have introduced a Pause for market self-regulation before network assessment, also received mixed views from workgroup and Panel members as regards better facilitating the achievement of ACO (a).[51] The main argument expressed by workgroup and Panel members in favour of WACM7 was that it would increase transparency and allow Users to make more informed investment decisions. Furthermore, it was seen as positive that the pause and reassessment could lead to less projects needing to be assessed by NESO which could make the process more efficient.

Minded-to consultation views relevant to ACO (a)

3.1.11 This section covers stakeholder views on our Minded-to consultation that are pertinent to our analysis of ACO (a). While many respondents supported WACM7, an almost equal number did not, with even more not giving a definitive answer. Of those supporting, there were a small number of views to the effect believed that the Register would be of benefit to projects and allow them to reassess their position.

3.1.12 Of those against WACM7, the information that the Register was due to contain was seen considered to contain material enough information to be of use to developers. They believed that it was not certain or likely that developers would change their behaviour in response to the Register and Pause. Another reason was that developers would have spent considerable resources to progress their project to this stage, and with little incentive to withdraw, would simply wait to receive their final offer, which would be of great value if it turned out to be a Gate 2 Offer.

Our view

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

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

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This section sets out our views on the Original Proposal and WACMs 1-7 against ACO (a). Overall, we are of the view that the Original Proposal would better facilitate ACO (a) than the status quo. It would apply the Primary Process to new connection applications, allowing NESO to take a holistic view and plan the network in a more efficient manner by focusing on those projects that are ready and needed. The Methodologies would give NESO more autonomy to take a centralised approach to the connections process and so provide more efficient updates. Elements 1, 2, 3, 5, 9, 10, 11, 13, 15, 16 and 18 would better facilitate ACO (a) than the status quo. Element 4 would have a neutral effect on ACO (a).
WACM2 in our view will better facilitate ACO (a) than the Original Proposal and all other WACMs. This is due to the fact that in addition to the benefits outlined regarding the Original Proposal, WACM2 (by introducing firmer obligations on DNOs/iDNOs) will ensure NESO/TOs have all the information they need, and according to the timescales expected, to carry out the Gated Design Process, resulting in greater confidence in the connections queue that is produced accordingly.

In terms of WACM1, WACM3, WACM4, WACM5, WACM6 and WACM7: we do not find that they would better facilitate ACO (a) than the Original Proposal.

Element 1: Proposed Authority approved Methodologies and NESO Guidance

3.1.13 On Element 1, we acknowledge some Minded-to consultation responses expressed opposition to Element 1 of the code decisions (ie CMP434 and CMP435) as well as our statutory licence consultation.[52] We have considered these views. Our view remains unchanged and is as follows.

3.1.14 We consider that the adoption of the Methodologies will grant NESO a greater degree of autonomy than the baseline, which will allow NESO to take a more holistic, centralised, and efficient approach to the development and maintenance of the Methodologies, and as a consequence, the connections process. Element 1 ensures NESO is equipped to make the decisions it needs to, and as expeditiously as possible, in order to meet the

[52] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.

CP2030 Action Plan.[53] This will also help NESO to discharge its obligation to promote an efficient, coordinated and economical system as NESO having a greater degree of autonomy in respect of the content of the Methodologies (as compared to the position had the Methodologies been codified) – and being able to reduce as far as possible the delay between a change to the connections process being identified as needed and that change then being implemented – is expected to be far more likely to secure a more coordinated outcome than would be the case under the status quo.

3.1.15 This new governance arrangement will provide more autonomy to NESO (author of the Methodologies) whilst maintaining a voice for industry through open consultation, which will be required in most cases, and Authority oversight through ultimate approval rights.[54] We consider that housing the Methodologies outside the codes is most appropriate, given NESO's role and responsibilities with regard to ACO (a) – as set out in our September open letter.[55] Given the contents of the Methodology documents, it is right that the Methodologies themselves are authored by NESO, to make the right decisions for the connections process as and when needed. We believe that the ability for NESO to manage the content of the Methodologies with an adequate level of transparency and industry participation, will enable NESO to discharge its obligations to promote an efficient, co-ordinated and economical transmission system since this ability facilitates the coordination and the carrying out of strategic planning and forecasting of the electricity transmission system.

3.1.16 In addition, an annual review of the Methodologies will increase the likelihood of regular foreseeable improvements in the connections process and consequential benefit for the transmission system – which is deemed much more likely to aid NESO in

[53] The existing code governance process normally requires regular workgroups, two sets of consultations, and is usually set across many months /over a year from beginning to the Authority being presented with a FMR for decision. In contrast, the new, robust governance framework (with NESO as the author of the Methodologies), is simpler to navigate than the existing code modification governance process. This will likely mean the maintenance of the Methodologies (and in turn NESO's obligations) will be easier and more efficient for NESO to carry out than would be the case under the status quo. Therefore, in making changes to improve the connections process in future, for example to reflect developments in strategic plans or to ensure that the connections regime enable sufficient competition, it is anticipated this will be quicker to implement an updated solution via the Methodologies.
[54] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025: which outlines a new governance process and new obligations for NESO with regard to the Methodologies.
[55] Open letter on the reformed regulatory framework on connections | Ofgem.

fulfilling its obligations more efficiently than under the status quo (which does not have such a comparative regular review process). The Methodologies will therefore better facilitate achievement of ACO (a) than the status quo since NESO will be able to more efficiently and economically fulfil its obligations to promote an efficient, co-ordinated and economical transmission system.[56]

3.1.17 Overall, we consider that Element 1 will better facilitate the achievement of ACO (a) than the status quo. Our rationale for supporting Element 1 of the Proposal is related to our rationale for rejecting WACM6 (explained further below).

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

3.1.18 On Element 2, we agree with the majority of workgroup members that the introduction of a gated process and a batched network design will facilitate a more coordinated system. The introduction of a bi-annual application window enables NESO and TOs to take all applications received in a window in batches, and sort the queue position and connection dates accordingly. This can ensure that new network build is more coordinated and better planned, therefore ultimately delivered more cost-efficiently.[57] 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/iDNOs and customers) therefore better facilitating the achievement of ACO (a) than the status quo. The move away from a *first-come, first served* approach to connection applications and capacity allocation is a positive in this regard.

3.1.19 The introduction of two formal gates (Gate 1 and Gate 2) and application windows will likely better facilitate achievement of ACO (a) since the promotion of an efficient, co-

[56] Open letter on the reformed regulatory framework on connections | Ofgem.
[57] Further evidenced in Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 2: "*Appraisal of Impacts – Impact on network build and connection dates*".

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ordinated and economical system should be easier to achieve. This is due to the more predictable application demand curve that will be seen following implementation: NESO and TOs will have a better idea of the levels of resource required – and what their primary focus should be – during and after closure of an application window. Whilst the level of applications that will be received in any window cannot be forecast, generally this move to bi-annual application windows can allow NESO, DNOs/iDNOs and TOs to have a more predictable workload at pre-defined stages per year, which will enable them to better plan their resources accordingly such that they can fulfil their obligations (ie those under ACO (a)) more efficiently – and will enable more focused, efficient network build which reduces network costs ultimately payable by consumers.[58] Under the status quo, this predictability and ability to plan for fluctuating amounts of new connection applications does not exist, as anyone can apply at any time throughout the year.

3.1.20 This being said, the fact that Gate 1 is optional could pose a risk to the overall benefit that Gate 1 aims to offer. It is not known how much certainty it could provide to the TOs or NESO in forecasting the network design or what benefit this could provide to consumers. Given the indicative dates associated with connection dates could be within a large range of several years, these are also unlikely to offer certainty to developers. The exception to this is for any projects which receive Reservation, covered further below under Element 10. We also note that the existence of Gate 1 creates the possibility for projects that are not yet ready or needed to receive an offer (as opposed to receiving nothing at all) and this has a related benefit of keeping those non-ready, non-needed projects out of the Gate 2 queue. Overall, despite the mixed perception on the benefit of Gate 1, we consider Element 2 overall will better facilitate the achievement of ACO (a) than the status quo.

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

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Element 3: Clarifying which projects go through the Primary Process

3.1.21 We consider that Element 2 is the substantively relevant Element here, given that sets out the Primary Process and the contents of it. Element 3, which specifies the scope of whom Element 2 applies to, is however positive as regards better facilitating the achievement of ACO (a) as against the status quo insofar as it dictates that the Primary Process from Element 2 applies to a wide range of connection customers.[59] We consider this beneficial as it amplifies the scale of benefits of CMP434 as tested against ACO (a).[60]

Element 4: Significant Modification Applications

3.1.22 For similar reasons as Element 3, we consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 4, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (a) as against the status quo.

Element 5: Clarifying any Primary Process differences for customer groups

3.1.23 The addition of the Letter of Acknowledgement (as an offshore equivalent to the Letter of Authority required for onshore customers following CMP427[61]) is a positive addition which renders Element 5 slightly better at facilitating the achievement of ACO (a) as against the status quo. This is the case as presently offshore projects are not required to submit a Letter of Authority. Requiring offshore projects seeking a Gate 1 agreement to have a Letter of Acknowledgement raises the entry requirements on offshore projects to bring these more in line with onshore projects seeking Gate 1 offers. This will allow NESO to better promote an efficient, coordinated and economical transmission system as higher entry requirements for offshore customers will lead to fewer speculative applications being made. It is important that Gate 1 agreements are

[59] As set out in CMP434 *Final Modification Report*, at page 13.
[60] This is a change from our minded-to position, following a re-evaluation against the ACOs.
[61] CMP427: update to the transmission connection application process for onshore applicants | Ofgem.

provided to projects that are progressed, so that the inputs into wider network planning done by NESO and the TOs can be as reliable as possible.

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

3.1.25 Overall, we therefore consider Element 5 will better facilitate the achievement of ACO (a) compared to the status quo.

Element 9: Project Designation

3.1.26 On Element 9, the Project Designation Methodology ('PDM') has been separately assessed by the Authority in our *Decision: Project Designation Methodology*. This being said, there are links and references in the CMP434 legal text to the PDM, and the concept of NESO processing Gate 2 Applications (that have met the Gate 2 Criteria) in accordance with this Methodology is included within CMP434. Element 9 leads to the creation of a tool which NESO can utilise to better promote an efficient, coordinated and economical system. Equipping NESO with additional levers to best tailor the connections queue to optimise it based on set criteria is expected to allow NESO to fulfil its obligations more efficiently. We therefore consider the introduction of this Element to better facilitate achievement of ACO (a) than the status quo.

Element 10: Connection Point and Capacity Reservation

3.1.27 On Element 10, we acknowledge some Minded-to consultation responses expressed opposition to Element 10 of the code decisions (ie CMP434 and CMP435) as well as our

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decision on the CNDM.[62] We have considered these views. Our view remains unchanged and is as follows – and is also further explained in our final decision on the CNDM.[63]

3.1.28 Reservation is intended to avoid cases where connection points and capacity are only allocated to projects that have met the Gate 2 criteria, as NESO will have the ability to reserve capacity for specific projects that may otherwise be unable to meet the Gate 2 criteria (further details are given in the CNDM[64]). It is understood that this Reservation tool will be used to protect the integrity of the coordinated network design. This includes being utilised for interconnectors and Offshore Hybrid Assets (OHAs)[65] to avoid scenarios where these Users find themselves unable to meet the Gate 2 criteria until they have a confirmed connection site, yet equally cannot know their connection point until having met the Gate 2 Criteria (namely ahead of seabed leasing rounds).[66]

3.1.29 It is anticipated that this Element, if used proportionately, will have a net positive impact on better facilitating the achievement of ACO (a) as against the status quo. We consider 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. Reservation can ensure that NESO, in exercising its discretion on when to use it, is making choices that are most likely to achieve ACO (a).

3.1.30 That being said, we note the risk that Reservation, if over relied upon, could jeopardise some of the overall benefits of the CMP434 solution as a whole. This is the case if too much capacity is allocated to Gate 1 projects with Reservation, such that projects which are ready and needed (ie have met Gate 2 Readiness Criteria and Strategic Alignment Criteria) may not secure the capacity they need (because it is reserved for a Gate 1 project). Further, we recognise the parameters around the use of the

[62] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[63] Ofgem, *Decision: Connections Network Design Methodology*, April 2025, from page 17.
[64] Connections Network Design Methodology (CNDM).
[65] Offshore Hybrid Asset (OHA) is a particular technology that allows offshore wind and interconnectors to work together as a combined asset.
[66] This is covered further in our *Decision: Connections Network Design Methodology*, April 2025, in theme 4: *Approach to capacity reservation and reallocation*.

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Reservation tool provide NESO with a high degree of discretion as to where to exercise this. This being said, we consider that the presence of the expiry date that will be applied to the Reservation of each Gate 1 Offer with Reservation will act as a suitable safeguard, alongside the annual review NESO will conduct of the project with Reservation.[67]

3.1.31 We expect NESO to strike the right balance in using Reservation in order to ensure that whilst it remains a useful tool and an enabler to an efficient, coordinated and economical transmission system, it is used only where necessary to protect the integrity of the transmission system. It should be clearly linked to strategic plans, such as the CP2030 Action Plan, the Centralised Strategic Network Plan ('CSNP')[68] and any associated coordinated offshore plans. In the event the Reservation tool is overused or used where it ought not to be, this would detract from its ability to better facilitate the achievement of ACO (a).

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

3.1.32 This Element can be divided into two components:

Component 1: Gate 2 Criteria

3.1.33 The first, setting out the criteria for demonstrating that Gate 2 has been achieved, is contained within the Gate 2 Criteria Methodology document.[69] This has been separately assessed in our *Decision: Gate 2 Criteria Methodology*.

3.1.34 This being said, there are links and references in the CMP434 legal text to the Gate 2 Criteria Methodology, and the concept of introducing this Methodology is included

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

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

Component 2: Ongoing Gate 2 Compliance Requirements

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

3.1.36 A) Land rights: These measures include the requirement on developers to continue to demonstrate they have **land rights** (as per M3 in Queue Management)[70] following meeting the Gate 2 criteria as well as the additional land control requirements imposed on amending the project site location (ORLB provisions) and demonstrating sufficient acreage for the project at each queue management milestone. These measures will help to secure a robust queue following a project meeting the gate 2 criteria, by incentivising projects to: 1) secure land rights for the correct site in the first instance (ie rather than attempting to acquire a plot of land which is not then used to develop the project) and 2) maintain those land rights.

3.1.37 We are confident this incentive will be realised as where projects fail to comply with the ORLB requirement, NESO has the right to remove or reduce the contractual right of projects to have the intended installed capacity – where a portion of that project is

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

built outside the ORLB (ie the ORLB as submitted by the project in its Gate 2 evidence submission) and where this goes beyond the permitted tolerance. Further, where projects fail to maintain their land rights, this will put them in breach of their queue management milestones and at risk of termination.[71] Therefore, we are confident that this aspect of Element 11 will be beneficial in driving the right behaviours from developers, encouraging projects to submit Gate 2 applications only when confident their project has achieved sufficient certainty to progress as indicated, which will lead to a more economic, coordinated and efficient system which better facilitates achievement of ACO (a) than the status quo, as network build will be more efficiently focused on delivering a pipeline of ready and needed projects. Further, we consider it appropriate that this Element contains scope for NESO discretion to waive the ORLB requirement in certain circumstances, in order to avoid unintended outcomes for connection customers.[72]

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

[71] Queue management milestones were inserted into existing and new connection agreements from 27 November 2023, following the Authority's decision on CMP376.
[72] NESO, CMP434 *Final Modification Report*, page 19, such as "*circumstances where a developer can suitably evidence, to NESO, that applying this threshold has a detrimental impact on normal project development and in circumstances which could not have reasonably been avoided*." NESO has published updated Queue Management guidance as of 11 April 2025, which contains more information on the process NESO will use to exercise its discretion on the ORLB requirement.

calculated from contracted completion date (relying on the queue management process from CMP376[73]).

3.1.39 This will benefit ACO (a) since any stalled, slow-to-progress or underperforming projects with regard to milestone 1 will have their connection agreement terminated in the event they fail to fulfil this ongoing compliance requirement.[74] Further, we expect this will help drive the right behaviours from developers and ensure the projects that meet gate 2 are those most likely to ultimately connect, therefore fostering a more efficient and coordinated transmission system. This will then allow NESO and network operators in the batched connection application processing to optimise available capacity accordingly, such that capacity is not being allocated for projects not performing in line with the ongoing compliance requirements. Overall, we consider Element 11 will better facilitate achievement of ACO (a) than the status quo.

Element 13: Gate 2 Criteria Evidence Assessment

3.1.40 On Element 13, whilst a degree of the Gate 2 Criteria evidence assessment process is contained within the Gate 2 Criteria Methodology document (which we evaluate in our *Gate 2 Criteria Methodology* decision), components of this are featured in the CMP434 legal text. Specifically, the introduction of Readiness Declarations and subsequent duplication checks.

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

[73] CMP376: Inclusion of Queue Management process within the CUSC | Ofgem.
[74] Unless there is an 'Exceptional issue', meaning something outwith the User's control which may lead to User project delay and a User not being able to meet a User Progression Milestone. More information on when an Exceptional issue is engaged is set out at s16 of the CUSC.

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3.1.42 The duplication checks, on the other hand, are expected to better facilitate achievement of ACO (a) than the status quo as this obligates NESO to check all evidence of secured land rights to verify that no land already registered against a project (that has already met the Gate 2 Criteria) is being relied upon for another Gate 2 application. The requirement to adhere to the ORLB will further benefit this, since Users are limited to the degree in which the land they have acquired for the project will be allowed to differ beyond what was specified in the ORLB contained in their Gate 2 evidence submission. Where duplications are identified (by checking the ORLB of the submitted evidence), NESO will enquire and the applicant could be deemed to not have met the Gate 2 criteria. This will aid NESO in promoting an efficient, coordinated and economical transmission system as it can prevent gaming of the Gate 2 criteria through ensuring NESO has oversight of all Gate 2 evidence submitted and that the highest possible standard for connection applications is set. Therefore, overall we consider Element 13 will better facilitate the achievement of ACO (a) compared to the status quo.

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

3.1.43 On Element 15, the amendment of offer and acceptance timescales to set these in line with the Primary Process is addressed in the Authority's *Statutory Decision on the TMO4+ Reform related Modifications to Electricity Licence Conditions*. As a result, this Element is predominantly assessed in the Authority's policy consultation and subsequent statutory decision.

3.1.44 Generally, and in line with the more detailed reasoning provided in the context of our statutory licence decision, we consider the move away from three months to make licensed offers is necessary to achieve the benefits set out above under Element 2.[75] In order for NESO and TOs to assess the applications in batches holistically and process these accordingly, an amendment to the offer and acceptance timescales is required.

[75] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.

Without Element 15, Element 2 would be unable to better facilitate the achievement of ACO (a) than the status quo. To this extent, Element 15 will also better facilitate the achievement of ACO (a) compared to the status quo as it will help NESO in the promotion of an efficient, coordinated and economical transmission system.

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

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

3.1.46 This being said, there are links and references in the CMP434 legal text to the CNDM, and the concept of NESO processing Gate 2 Applications (that have met the Gate 2 Criteria) in accordance with this Methodology is included within CMP434. Element 16 leads to the creation of a transparent framework and processes through which NESO and TOs will determine and order the connections queue in a way that reflects both project readiness and strategic energy needs. The CNDM's creation will also facilitate the design of a more efficient network infrastructure that aligns with the CP2030 Action Plan and future strategic energy plans. The CNDM is consequently expected to help NESO to better promote an efficient, coordinated and economical system as the connections queue can be optimised accordingly. Therefore, in reviewing the implications of Gate 2 Applications (that have met the Gate 2 Criteria) being processed in accordance with this Methodology, we consider Element 16 will better facilitate achievement of ACO (a) than the status quo.

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

3.1.47 On Element 18, this introduces an obligation on DNOs/iDNOs to use "*reasonable endeavours*" to submit connection application information to NESO within set timescales. These deadlines on DNOs/iDNOs to provide the relevant information to

NESO will better enable NESO to promote an efficient, coordinated and economical transmission system as it creates a clear, unified target for all DNOs/iDNOs.

3.1.48 Under the status quo, connection customers have reported instances to us where DNOs/iDNOs have taken up to two years to submit Project Progression information to NESO. This has resulted in direct delays to connection customers receiving a connection offer, and may impact on the eventual connection date they are provided with. We want to see this behaviour eliminated such that no connection customers experience this. We are confident Element 18 will go towards tackling this and will therefore better facilitate achievement of ACO (a) than the status quo in this regard. Reducing such occurrences will put NESO in a better position when carrying out the batched processing of applications and taking a holistic approach to system coordination. It will give greater certainty to NESO and TOs in carrying out the Gated Design Process, and confidence that they are creating offers and designing the network in accordance with the best available information on connection customers.

3.1.49 This being said, we recognise that the language of "*reasonable endeavours*" makes the obligation on DNOs/iDNOs less robust than it could otherwise be. This is due to the fact that DNOs/iDNOs could have varying abilities (eg level of resource) to commit to fulfilling their "*reasonable endeavours*" obligation, which could lead to variations between different DNOs/iDNOs. Despite this, Element 18 will have a positive impact on ACO (a) compared to the status quo, as it ought to make it more likely that NESO will receive all connection application submission information from DNOs/iDNOs in the time parameters expected. Note, we consider WACM2 (covered below in greater detail) goes even farther than Element 18 of the Original Proposal in this regard.

3.1.50 Overall, noting the individual impacts all of the Elements above have on ACO (a), we deem that the Original Proposal has a cumulative positive impact on ACO (a) compared to the status quo. [76]

[76] 10 positive elements; 2 neutral elements.

WACM1: Clarification of Embedded Definition

3.1.51 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it defines Embedded Power Stations differently. There is an error in section 11 of the legal text of WACM1, which could result in unclear outcomes for a selection of customers.

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

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

3.1.54 Further, we are aware of a live grid code modification (GC0117) which proposes to harmonise thresholds across regions for the definitions of small and large embedded generators (whilst removing the definition of medium). We acknowledge there is crossover between the intention of WACM1 and GC0117. The Authority has issued its

Minded-to position on this Grid Code modification, which at time of writing is open for consultation.[77]

WACM2: DNO Submission Requirement

3.1.55 This WACM shares the same Elements as described in the Original Proposal above, with the exception that, with respect to Element 18, it places firmer obligations on DNOs/iDNOs with regard to timing of submission of information to NESO. DNOs/iDNOs are given a firmer requirement to abide by the timescales set out in the gated application and offer process – as opposed to a requirement to use "*reasonable endeavours*" to do so.

3.1.56 We have been made aware that DNOs/iDNOs have concerns over WACM2's more prescriptive wording. We do not share these concerns: we consider the absolute obligations on DNOs/iDNOs in WACM2 to progress applications as expected in relation to the relevant application window test most positively against ACO (a) compared to the Original Proposal and all other WACMs.

3.1.57 We consider WACM2 to be an improvement on the Original Proposal (and all other WACMs) since it addresses the shortcoming that features in Element 18, as described above. The firmer language WACM2 features will reduce the scope for variability (ie it increases the likelihood that NESO receives the required information on time and in accordance with the gated process) and therefore means NESO, in carrying out the batched processing of applications, can optimise the queue more effectively knowing that they will be more likely to have all applications included in their holistic assessment. This will then benefit TOs in the Gated Design Process when they carry out the detailed design work and produce connection offers, resulting in NESO being in the best possible position to promote the most efficient, coordinated and economical transmission system. We do not consider the obligations WACM2 places on DNOs/iDNOs to be unachievable or disproportionate, as they are not out-of-step with

[77] Grid Code 0117 Final Modification Report Minded-to Decision Consultation | Ofgem.

other obligations placed on DNOs (such as via our decision on licence changes[78]). To this extent, despite DNO/iDNO concerns with WACM2, we are confident this option tests most positively against ACO (a).

3.1.58 It is therefore expected that WACM2 would better facilitate achievement of ACO (a) than the Original Proposal and the status quo – and it is the WACM which best facilitates the achievement of ACO (a).

WACM3: Capacity Reallocation Codification

3.1.59 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it restricts what NESO is able to do with freed up capacity following termination. We agree with some workgroup responses that WACM3 could misalign with NESO's broader objectives (eg its role in developing and maintaining an efficient, coordinated and economical system) and result in a less efficient process.

3.1.60 This WACM would limit the manoeuvrability of NESO, by limiting what it is able to utilise freed up capacity for following termination. This would limit the cases in which NESO can utilise its Project Designation and Reservation tools (described in Elements 9 and 10 above) which would have a knock-on impact on the ability of those Elements to operate as intended or have as positive an impact as described in the Original Proposal. Consequently, WACM3 would hinder NESO's ability to promote an efficient, co-ordinated and economical system. This may restrict NESO's ability to design the most optimal queue and provide the most efficient energy system. It is anticipated that WACM3 would therefore not better facilitate the achievement of ACO (a) than the Original Proposal, although it would better facilitate the achievement of ACO (a) than the status quo.

[78] See Condition 12A of the Standard conditions of the Electricity Distribution Licence.

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

3.1.61 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it limits the ability of NESO to waive or amend the ORLB provisions. We agree with some workgroup views that WACM4 risks limiting the flexibility that the Methodologies introduce, which would detract from ACO (a). Further, we do not share some stakeholder views that WACM4 would promote greater efficiency in the assessment of applications.

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

3.1.63 Further, we consider it essential that NESO is able to adapt the ORLB provisions if this is deemed necessary in future (eg if it became apparent that the initial 50% threshold ought to be changed).[79] WACM4 makes any subsequent changes to the ORLB provisions more difficult to implement than would be the case under the Original Proposal, as it codifies the ORLB provisions (rather than containing them in guidance). We therefore consider this feature of WACM4 problematic, and as a result, WACM4 would not be expected to better facilitate achievement of ACO (a) than the Original

[79] As set out at CUSC s16.4.9.3.4, the specific process around NESO relaxing from the 50% requirement is set out in the updated Queue Management guidance – which NESO published on 11 April 2025.

Proposal – however it would better facilitate achievement of ACO (a) when compared to the status quo.

WACM5: Remove Project Designation

3.1.64 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it removes references in the legal text to the PDM (Element 9 above). This would result in NESO not having the Project Designation tool.

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

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

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

3.1.67 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places an obligation on NESO to carry out a review and publish a report on the Methodologies' performance, and could lead to eventual codification of the Methodologies.

3.1.68 WACM6 could be seen to be comparable to the Original Proposal on ACO (a), since the content of the connections process could be the same whether housed in the Methodologies or the codes. However, on balance, in the event WACM6 did lead to the eventual codification of the Methodologies this would mean NESO does not have authorship over the Methodologies. We have set out at Element 1 above the reasons why it is important that NESO retains authorship of the Methodologies and why these documents sitting outside the codes is most suitable. Further, as pointed out in some stakeholder responses, we do not consider this WACM (ie imposing an obligation in the CUSC) to be the correct route for NESO to review the effectiveness of the Methodologies. It is proposed that NESO will do this annually, through the new proposed licence obligations imposed upon it contained in our licence decision – therefore we disagree with the Minded-to consultation responses that considered WACM6 would have been the only way to know if the new process is performing as expected.[80]

3.1.69 WACM6 offers no perceivable benefit in better facilitating the achievement of ACO (a) than the Original Proposal, and further, to approve it would be at odds with our view that the Original Proposal better facilitates achievement of ACO (a) than the status quo. For example, Element 1 of CMP434 which introduces the concept of the Methodologies – which we support and view as better facilitating the achievement of ACOs (a) and (d) than the status quo – would be undermined by approval of WACM6 for the reasons cited above under Element 1 as benefits of this Element on ACO (a). On

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

this basis, we consider WACM6 does not better facilitate achievement of ACO (a) than the Original Proposal; however, it would better facilitate achievement of ACO (a) than the status quo.

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

3.1.70 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it would introduce a Pause for applicants to review information about the status of other projects published by NESO in a Gate 2 Register. At the time of our Minded-to consultation on 14 February 2025, we considered WACM7 would better facilitate achievement of ACO (a) than both the Original Proposal and status quo, and consequently our minded to position was to approve this WACM.

3.1.71 WACM7's publication of a Gate 2 Register containing information on applicant connection point, completion dates, installed capacity and technology types was expected to deliver benefits to new connection applicants. We agreed with some stakeholder views that WACM7 would increase transparency. It was expected to increase the likelihood that the most ready and needed projects would be given offers for where and when they ought to be, thus increasing the likelihood of those Users connecting as planned (and decreasing attrition), due to the opportunity the Pause provided applicants with to decide whether they ought to withdraw.

3.1.72 We considered this could be beneficial to NESO in meeting its obligation to promote an efficient, coordinated and economical transmission system since if any withdrawals occurred, this would have given NESO and TOs confidence that after the Pause has occurred, the Gated Design work carried out thereafter would be optimised based on Users making decisions on the best available information, which we expected to lead to a more optimised connections queue and transmission system overall (through the self-termination of speculative or less likely to connect projects).

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3.1.73 We recognised that the benefit in impact of WACM7 would be dependent on User behaviour in response to the publication of the Gate 2 Register. Following our Minded-to consultation which closed on 14 March 2025, we have reviewed stakeholder feedback on our Minded-to position (detailed stakeholder feedback summarised above on pages 15-17). Noting that the legal text was not prescriptive as to which specific stage in the process that the pause would take place, our updated assessment is that, irrespective of the point in time when the Pause would have taken place (whether pre or post strategic alignment checks) we are no longer of the view that this would test most positively against this ACO (or the other ACOs, for reasons discussed further below). Whilst if withdrawals did occur, this would have had the benefits articulated in our Minded-to consultation, we consider it unlikely that these would occur or to the extent initially envisaged. Following this, we are less confident that the anticipated benefits of WACM7 would be realised were this option approved.

3.1.74 On balance, we therefore consider WACM7 would likely better facilitate achievement of ACO (a) **equally to** the Original Proposal (not greater than, as we had believed in our Minded-to consultation), but greater than the status quo.

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

Workgroup and Panel view

3.2.1 The Original Proposal was considered to better facilitate the achievement of ACO (b) by most workgroup and Panel members.[81] The main views expressed by workgroup and Panel members were that CMP434 contributes to facilitating effective competition through the introduction of the gated process. Furthermore, workgroup members thought that the gated process changes will improve competitiveness of generation and supply of electricity. A concern which was expressed by a workgroup member was that

[81] Original Proposal received: 34 positive, 3 negative, 2 neutral votes against ACO (b).

the Original Proposal failed to address issues at the transmission-distribution interface that could lead to a disadvantage for embedded generation compared to directly connecting projects. Another concern expressed by a workgroup member was that the Original Proposal could be detrimental to the delivery of nationally significant infrastructure projects ('NSIPs'). Another respondent to the CAC considered that the Queue Management M1 Milestone being able to be forward-calculated from Gate 2 (as opposed to backwards from contracted completion date) would not be feasible for some projects.

3.2.2 WACM1 was mainly seen by workgroup and Panel members to better facilitate the achievement of ACO (b).[82] The majority thought that WACM1 would better facilitate ACO (b) as it would enable different generation schemes to connect to the network quicker which helps facilitate competition in the electricity market driving down costs for the end consumer whilst decarbonising the electricity system. Some workgroup and Panel members expressed the view that WACM1 would not better facilitate the achievement of ACO (b), the reason being that there were challenges faced by the workgroup in attempting to provide satisfactory legal text to facilitate this change.

3.2.3 WACM2 was considered by the majority of workgroup and Panel members to better facilitate the achievement of ACO (b).[83] The main view was that WACM2 ensured better competition between embedded Users and transmission connected Users. In addition, a workgroup member thought that WACM2 better facilitated the achievement of ACO (b) by mitigating the risks small and medium embedded generation face in having to rely on DNO or iDNO to submit gate 2 evidence on time. Another workgroup member thought that WACM2 imposed disproportionate obligations on DNOs.

3.2.4 WACM3 was mainly seen by workgroup and Panel members to better facilitate the achievement of ACO (b).[84] The main view expressed by workgroup and Panel members

[82] WACM1 received: 23 positive, 9 negative and 7 neutral votes against ACO (b).
[83] WACM2 received: 26 positive, 8 negative and 5 neutral votes against ACO (b).
[84] WACM3 received: 31 positive, 3 negative and 5 neutral votes against ACO (b).

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was that codifying the process would demonstrate transparency, improving competition.

3.2.5 WACM4 was mainly seen by workgroup and Panel members to better facilitate the achievement of ACO (b).[85] The positive impact was mainly seen by workgroup and Panel members in providing clarity and detail to the outcomes of the red line boundary constraints. This was expected to ensure equal treatment of all Users. Panel and workgroup member expressed the view that codifying the ORLB process would demonstrate fairness and transparency for all Users, which would facilitate competition and reassure investors that all viable projects were given fair and equal opportunity to progress to connection.

3.2.6 WACM5 received mixed views against ACO (b).[86] One main concern expressed by workgroup and Panel members was that the removal of project designation could significantly undermine the future strategic network planning. Furthermore, the view was expressed by a workgroup member that WACM5 meant project designation was transparent and equitable for all parties.

3.2.7 WACM6 received mixed views from workgroup and Panel members regarding its impact on ACO (b).[87] This is due to the fact that it provided more certainty to investors and developers. On the other hand, concern was raised in response to the CAC that codification of the Methodologies could pose a risk to the timely implementation.

3.2.8 WACM7 received mixed views from workgroup and Panel members against ACO (b).[88] Whilst some workgroup and Panel members thought that WACM7 ensured transparency, leading to more informed decision making of market participants and hence more competition, others were of the view that this benefit was outweighed by unnecessary complexity and an extended timeline compared to the Original Proposal.

[85] WACM4 received: 28 positive, 7 negative and 4 neutral votes against ACO (b).
[86] WACM5 received: 22 positive, 9 negative and 7 neutral votes against ACO (b).
[87] WACM6 received: 27 positive, 7 negative and 5 neutral votes against ACO (b).
[88] WACM7 received: 30 positive, 3 negative and 6 neutral votes against ACO (b).

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Minded-to Consultation views relevant to ACO (b)

3.2.9 This section covers stakeholder views on our Minded-to consultation that are pertinent to our analysis of ACO (b). Some respondents thought that WACM7 would benefit market behaviour through better understanding of their project's position, relative to other projects', and then the ability to act upon it. The increased transparency was generally thought to aid market confidence and planning.

3.2.10 Other respondents were more sceptical, however: WACM7 was seen as not likely to have an effect on developer behaviour due to reasons already set out above at ACO (a), namely the Register containing immaterial information and insufficient incentives for withdrawal. There were also calls for technology type data to be aggregated to protection sensitive commercial information.

3.2.11 WACM2 was specifically supported for its ability to ensure that embedded projects are not affected by their reliance on DNOs with one respondent calling for a potential amalgamation of WACM2 and WACM7.

Our view

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

Overall, we are of the view that the Original Proposal would have a more positive impact against ACO (b) compared to the status quo. It would introduce a gated approach to the connection process – beneficial for competition as this would see capacity allocated to the most viable and competitive projects. This would be an improvement on the status quo. Based on our assessment below, we consider that Elements 1, 3, 11 and 18 of the Original Proposal would better facilitate ACO (b) and Elements 2, 4, 5, 9, 10, 15 and 16 would have a neutral effect on ACO (b). We believe there is a potential that Element 13 would not better facilitate ACO (b) than the status quo. Element 15 is addressed in the Authority's licence

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decision.[89]

We consider that WACM2 is likely to better facilitate ACO (b) than the Original Proposal and any other WACMs. Placing firmer obligations on DNOs/iDNOs will create fairer and more consistent outcomes for connection customers, across transmission and distribution, facilitating effective competition and avoiding the detriment of distribution customers.

In terms of WACM1, WACM3, WACM4, WACM 5, WACM6 and WACM7: we do not believe these would better facilitate ACO (b) than the Original Proposal.

Element 1: Proposed Authority approved Methodologies and NESO Guidance

3.2.12 On Element 1, we acknowledge some Minded-to consultation responses expressed opposition to Element 1 of the code decisions (ie CMP434 and CMP435) as well as our statutory licence consultation.[90] We have considered these views. Our view remains unchanged and is as follows.

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

3.2.14 The adoption of the Methodologies (with NESO as author) and an annual review of the Methodologies (as set out in our statutory decision on licence changes[91]) are means of securing more efficient updates to the connections process in future, such that connections customers and consumers ultimately see the benefits of any subsequent updates more efficiently. This is expected to have positive impacts on competition, since Element 1 will reduce as far as possible both: the delay between a change to the connections process being identified as needed, and that change then being

[89] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions,* April 2025.
[90] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[91] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.

implemented; and the delay in any change being identified as needed in the first place, as the status quo does not have a mandated regular review process. This will bring about regular foreseeable improvements to the connections process and consequential benefit for connecting customers, moreso than could be achieved under the status quo.

3.2.15 Therefore, we consider Element 1 is likely to have a positive impact on ACO (b) and as compared against the status quo.

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

3.2.16 We agree with some stakeholder views that the Gated process ought to benefit competition, as the introduction of Element 2 can boost investor confidence which 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.[92] The beneficial aspects of this Element are that a Gated approach where capacity and firm connection dates are only offered to projects that have fulfilled the Gate 2 criteria is likely to ensure that capacity is allocated to the most competitive projects. This ought to ensure there are fewer speculative or less well-progressed projects, which better facilitates achievement of ACO (b) than the status quo since it ensures scarce capacity is allocated according to the most ready and needed (competitive) projects, rather than arbitrarily as per the status quo *first-come*, *first-served* approach.

3.2.17 On the other hand, the addition of Gate 1 itself (noting its optionality) is likely to have a neutral impact on competition and better facilitating the achievement of ACO (b) as against the status quo, for the reasons described above at ACO (a). Further, the introduction of short, time-limited application windows on two occasions per year could have a slightly negative impact on competition and therefore may not better facilitate achievement of ACO (b) than the status quo. This is because the windowed approach creates a risk that new investment projects either do not come to fruition or receive a

[92] Ofgem, *TMO4+ Impact Assessment*, April 2025, section: 2 "*Appraisal of Impacts – Impacts on investor confidence*".

connection offer later than they would under the baseline connections process. This is the case as 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, the opportunity to apply again will not arise for several months. This is more restrictive to competition than the baseline is. Further, this could have a more detrimental effect on smaller developers (with fewer resources) than larger developers.

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

Element 3: Clarifying which projects go through the Primary Process

3.2.19 We consider that Element 2 is the substantively relevant Element here, given that sets out the Primary Process and the contents of it. Element 3, which specifies the scope of whom Element 2 applies to, is therefore positive as regards better facilitating the achievement of ACO (b) than the status quo insofar as it dictates that the Primary Process from Element 2 applies to a wide range of connection customers.[93] We consider this beneficial as it amplifies the scale of benefits of CMP434 as tested against ACO (b).[94]

Element 4: Significant Modification Applications

3.2.20 For similar reasons as Element 3, we consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 4, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (b) than the status quo.

[93] As set out in CMP434 *Final Modification Report*, at page 13.
[94] This is a change from our minded-to position, following a re-evaluation against the ACOs.

Element 5: Clarifying any Primary Process differences for customer groups

3.2.21 Although certain types of embedded generators face a different application process under the Primary Process, we consider this is necessary in order to ensure no connection applicants are disadvantaged by the Primary Process. For example, Large Embedded Generators requesting a Gate 2 Offer and Relevant Embedded Small Power Stations and Relevant Embedded Medium Power Stations requesting a BEGA can submit a connection application at any time throughout the year. Further, Relevant Embedded Small Power Stations and Relevant Embedded Medium Power Stations do not go through the Gate 1 process; instead, they go through an equivalent process with DNOs/iDNOs.

3.2.22 It is our view that, whilst this has a positive impact on those affected generators that can apply all-year round since it removes the pressure from those projects to have their connection application ready at a narrow pre-defined window in the calendar year, it could be perceived that this has a negative impact overall since this same opportunity is not granted to other projects in scope of the Primary Process (at Element 2). There is, however, a need for this differential treatment for these affected connection customers, due to the dependency they have with the Transmission Evaluation Application process.[95] In order to ensure these relevant categories of customer are not unfairly disadvantaged by the Primary Process, they must be able to apply to their DNO/iDNO all year round. To this extent, we disagree with some stakeholder views that embedded customers are likely to suffer detriment by the Primary Process.

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

3.2.23 The inclusion of the Letter of Authority offshore equivalent – the Letter of Acknowledgement – is a positive addition which renders Element 5 net neutral overall on better facilitating the achievement of ACO (b). Following the approval of CMP427 in early 2024, the requirement for a landowner Letter of Authority was imposed on new onshore connection applicants.[96] Element 5 sees offshore projects brought in line with these requirements through the Letter of Authority equivalent being introduced. Offshore customers will also need a Letter of Acknowledgement if seeking a Gate 1 offer. Overall, this will be beneficial for projects in scope of utilising a Letter of Acknowledgement as it brings equality between onshore and offshore connection customers, therefore benefitting competition.

3.2.24 Overall, we therefore consider Element 5 to be net neutral as regards better facilitating the achievement of ACO (b) than the status quo, as the differential treatment is considered equally counteracted by the benefits for those affected generators that can apply all-year round and the addition of the Letter of Acknowledgement.

Element 9: Project Designation

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

3.2.26 This being said, there are links and references in the CMP434 legal text to the PDM, and the concept of NESO processing Gate 2 Applications (that have met the Gate 2 Criteria) in accordance with this Methodology is included within CMP434. In the context of ACO (b), Element 9 merely adds a tool which NESO can use in setting the queue order of projects. Depending on how the PDM is used it could have a positive, negative or neutral impact on competition, so the mere existence of the PDM falls to be treated as neutral as regards better facilitating the achievement of ACO (b) than the status quo.

[96] CMP427: update to the transmission connection application process for onshore applicants | Ofgem.

Element 10: Connection Point and Capacity Reservation

3.2.27 We acknowledge some Minded-to consultation responses expressed opposition to Element 10 of the code decisions (ie CMP434 and CMP435) as well as our decision on the CNDM.[97] We have considered these views. Our view remains unchanged and is as follows – and is also found in our final decision on the CNDM.[98]

3.2.28 Element 10 will ensure all applicants have an equal and fair route to market. As described further above at Element 10 under ACO (a), this Element can ensure that projects that otherwise could find themselves indirectly pushed out of the connections process (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.[99] We note concern voiced by some respondents in our Minded-to consultation, namely that interconnector Users may suffer detriment by the TMO4+ package of reforms.

3.2.29 We disagree with consultation respondents that interconnector Users require specific protection or that they could struggle to meet the Gate 2 Criteria. Element 10 exists to address this very risk.[100] Without the Capacity Reservation process these types of assets would not know their connection point and would not be able to meet Gate 2. We therefore consider Reservation an essential feature of CMP434 in order to facilitate effective competition.

3.2.30 This being said, we acknowledge that the circularity issue for interconnectors and OHAs is not an issue which presently exists under the status quo. This problem only arises through the creation of the Primary Process and the setting of the Gate 2 Criteria. Therefore, to this extent the Reservation feature equally facilitates ACO (b) compared

[97] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[98] Ofgem, *Decision: Connections Network Design Methodology*, April 2025, from page 17.
[99] 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(s), thereby meeting Gate 2.
[100] Connections Network Design Methodology (CNDM) page 62.

to the status quo as these parties do not suffer detriment under the status quo and Element 10 ensures this remains the case through TMO4+.

3.2.31 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 tool proportionately so as to not end up unfairly safeguarding an abundance of the projects which cannot demonstrate readiness, to the detriment of those who can. 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.

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

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

3.2.33 On Element 11, this is split into two parts: the Gate 2 criteria as well as ongoing compliance requirements.

Component 1: Gate 2 Criteria

3.2.34 We note that the imposition of Gate 2 Criteria (contained in a separate Methodology) creates the opportunity for the entry requirements to the connections queue to be raised, which means this component of Element 11 could have implications on ACO (b).

3.2.35 Whilst the Gate 2 Criteria threshold has been evaluated separately in our *Gate 2 Criteria Methodology* decision, we note that the creation of these Criteria can have an impact on the route to market of certain projects. Generally, we do not consider this to be a negative impact on ACO (b), since the ability to review (and raise) the entry

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requirements ought to foster the most competitive behaviour among developers, which will have a beneficial impact on ACO (b). Further, we disagree with some Workgroup consultation responses which considered the gated process would be detrimental to NSIPs, given the Readiness criteria may be satisfied by the DCO planning route, which is directly relevant to NSIPs.

Component 2: Ongoing Gate 2 Compliance Requirements

3.2.36 We consider the addition of the new ongoing compliance requirements[101] places a higher level of incentive on developers to 1) obtain a connection agreement (component 1 requires the Gate 2 application to be likely to proceed to connection, or risk termination) and 2) maintain that connection agreement through regular, continued progress towards completion (component 2's requirement on Milestone 1, as described above under Element 11 of ACO (a)). This is anticipated to drive better behaviours from developers – without compromising on deliverability – compared to the status quo.

3.2.37 We disagree with a stakeholder view that component 2 (creating the possibility for Milestone 1 (M1) to be forward-calculated from the point an applicant meets Gate 2 Criteria) is unfeasible for projects to meet or will have a negative impact on better facilitating the achievement of ACO (b). This will ensure projects only apply for Gate 2 offers when they are sufficiently advanced and confident that they are able to meet M1 within the prescribed timescales, as if they are not, then the Queue Management process could result in termination of their agreement.[102]

3.2.38 As a result of the higher new compliance requirements imposed by of CMP434, this is likely to better facilitate effective competition as Users will have to comply with these elevated compliance requirements in order to maintain their Gate 2 agreements. This will impose a higher standard to be adhered to in order to maintain a Gate 2

[101] Component 1 being the requirement to continue to have secured land rights and the ORLB provisions; component 2 being the requirement to submit an application for planning consent within defined timescales.
[102] CMP376: Inclusion of Queue Management process within the CUSC | Ofgem; NESO, Queue Management guidance, April 2025.

agreement, thus this Element will better facilitate achievement of ACO (b) than the status quo.

Element 13: Gate 2 Criteria Evidence Assessment

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

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

3.2.41 The risk of different levels of scrutiny across different regions may mean that customers are held to differing standards with regard to the Readiness Declarations. There is also a risk that transmission Users may be held to a different standard than distribution Users, in the event resource or abilities differ between NESO and DNOs/iDNOs. This should be avoided as far as possible, with DNOs, iDNOs and TOs expected to provide a similar level of service across all regions. We acknowledge there are measures in place to avoid this: eg a standardised template to be created by NESO to facilitate this process which will be mirrored across Transmission and Distribution,

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along with accompanying guidance, and our decision on licence changes contains an obligation on DNOs/iDNOs to abide by these CUSC timetables.[103]

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

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

3.2.43 On Element 15, the amendment of offer and acceptance timescales to align these with the Primary Process is addressed in the Authority's decision on licence changes.[104] Generally, whilst we consider the move away from three months to make licensed offers necessary to achieve the benefits set out above under Element 2, we do not consider this to have a direct impact on competition in the generation and supply of electricity. This is due to the fact that the same quantity and identity of projects will receive offers regardless of the time NESO and TOs take to produce those offers. As a result, this Element is neutral against ACO (b) as compared to the status quo.

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

3.2.44 On Element 16, the CNDM has been separately assessed by the Authority in our *Decision: Connections Network Design Methodology*. This being said, there are links and references in the CMP434 legal text to the CNDM, and the concept of NESO processing Gate 2 Applications (that have met the Gate 2 Criteria) in accordance with this Methodology is included within CMP434. Element 16 creates a transparent

[103] Readiness declaration template | National Energy System Operator. See Standard Licence Condition 12A.1(c) of the Electricity Distribution Licence in Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[104] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.

framework and process which NESO and TOs will follow in processing offers and creating the queue order; however, this is not expected to positively or negatively impact on facilitating effective competition versus the status quo, as even in the baseline the NESO and TOs are required to liaise with one another to create connection offers for customers. Therefore, we consider this Element to have a neutral impact on better facilitating the achievement of ACO (b) compared to the status quo.

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

3.2.45 At present, connection customers can experience delays in receiving their connection offer (which can additionally result in detriment to connection date offered) through DNOs/iDNOs not submitting Project Progressions to NESO in a timely manner. This has a detrimental impact on facilitating effective competition as the ability and speed with which a customer can receive a connection offer and a connection date becomes tied to the resource and capabilities of a relevant DNO/iDNO.

3.2.46 Element 18 makes positive steps to improve this by putting an obligation on DNOs/iDNOs to use "*reasonable endeavours*" to submit both the construction planning assumptions and the full technical data of the relevant application to NESO. Whilst, as we describe further at Element 18 of ACO (a) above, the language of "*reasonable endeavours*" is subjective and makes the obligation on DNOs/iDNOs less robust than it could otherwise be, overall it ought to make it more likely (than if Element 18 did not exist) that NESO will receive all connection information from DNOs/iDNOs when expected. We therefore deem that Element 18 better facilitates the achievement of ACO (b) compared to the status quo.

3.2.47 Overall, noting the individual impacts all of the Elements above have on ACO (b), we deem that the Original Proposal has a cumulative positive impact on ACO (b) compared

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to the status quo.[105] Note, we consider WACM2 (covered below in greater detail) goes even farther than Element 18 of the Original Proposal in this regard.

WACM1: Clarification of Embedded Definition

3.2.48 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it defines Embedded Power Stations differently. There is an error with section 11 of the legal text of WACM1, described above in ACO (a) in greater detail, which could cause inequal outcomes and result in unclear outcomes for a selection of customers, to their detriment.

3.2.49 This WACM, if approved, could lead to confusion and disputes between network companies, developers and NESO on how to classify the relevant projects. This could therefore inhibit WACM1 to positively impact ACO (b) as this could become an additional barrier for some projects to overcome before seeking a connection offer. As a result, WACM1 is deemed not to better facilitate the achievement of ACO (b) than the Original Proposal.

3.2.50 This being said, even if the legal text was suitable, we do not consider WACM1 is any better, or worse, than the Original Proposal with regard to ACO (b). This is due to the fact that the changes it sought to make to the Embedded definitions are ultimately not necessary and would not have been impactful on competition in the generation and supply of electricity, therefore WACM1 would not have been preferred or selected for approval over the Original Proposal – although it would have been an improvement compared to the status quo.

WACM2: DNO Submission Requirement

3.2.51 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places firmer obligations on DNOs/iDNOs with regard to

[105] 3 positive impacts; 1 negative; 8 neutral.

submission of information to NESO, as opposed to the requirement to use "*reasonable endeavours*" to do so.[106]

3.2.52 As stated above at ACO (a), we do not share DNO/iDNO concerns over WACM2's more prescriptive wording. The absolute obligations on DNOs/iDNOs in WACM2 are strong features when tested against ACO (b). We note some stakeholder responses to our Minded-to consultation, which praised WACM2 for its ability to secure the best outcomes for connection customers – we agree with this view as it is the WACM most able to create equality in experience for connection customers.

3.2.53 The firmer DNO submission requirement in this WACM will enhance the likelihood of achieving the best outcomes for distribution customers, and therefore goes towards addressing some Workgroup consultation respondent concerns that the Original Proposal may have disadvantaged embedded projects. In the absence of WACM2, there would be a risk of varying outcomes for distribution customers for the reasons set out above at Element 18 of ACO (a), which could result in significant detriment to a distribution customer in the event the deadline was missed (for reasons within the DNO/iDNO's control). However, WACM2 eliminates this variability by tightening the requirements such that DNOs/iDNOs must abide by the timescales specified in the Gated Application and Offer Process following notification by a Distribution customer.[107] We do not consider the obligations WACM2 places on DNOs/iDNOs to be unachievable or disproportionate.

3.2.54 It is therefore likely that WACM2 will better facilitate achievement of ACO (b) than the Original Proposal, all other WACMs and the status quo, since it can create fairer outcomes for connection customers (and greater equality between transmission and

[106] To note, the Authority has decided to make new licence changes which place obligations on DNOs/iDNOs with regard to information submission requirements to NESO. More detail on these proposed licence changes can be found in Ofgem's *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025, from page 62.
[107] Note that the CMP434 legal text still allows DNOs/iDNOs to use "*reasonable endeavours*" to make submissions to NESO where the relevant application is for a Large Embedded Power Station (BEGA or BELLA). In all other cases, WACM2 tightens the DNO/iDNO submission timeline requirements to submit in line with the Gated Application Window with reference to the period in s17.6.2 of CUSC.

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distribution), allowing all to connect in a timely manner. This will remove the risk of detriment to distribution customers, which could occur under the Original Proposal or any of the other WACMs, due to the subjectivity of the "*reasonable endeavours*" obligation. Consequently, WACM2 best facilitates achievement of ACO (b) as by ensuring transmission and all distribution customers are on equal footing, competition will be better facilitated, such that no customers are penalised for matters outwith their control.

WACM3: Capacity Reallocation Codification

3.2.55 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it restricts what NESO is able to do with freed up capacity following termination.

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

3.2.57 In any event, WACM3 would neither better facilitate nor impede effective competition in the generation and supply of electricity, as ultimately this WACM simply restricts what freed up capacity may be used for – it does not prevent it being used. NESO will still allocate this freed-up capacity and therefore connection customer(s) will still benefit from this, regardless of the restrictions it places on NESO on how it uses this capacity. As a result, WACM3 has an equal impact on the better facilitation of achievement of ACO (b) when compared against the Original Proposal; however it would better facilitate achievement of ACO (b) when compared to the status quo.

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

3.2.58 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it limits the ability of NESO to waive or amend the ORLB provisions. On the one hand, the removal of the ability for the 50% ORLB restriction to be waived could lead to more equal treatment amongst Users, such that all are held to the same standard. This would have a positive impact on facilitating effective competition since all Users would need to comply with the same rules and could not seek exemption or variation from the ORLB requirements.

3.2.59 On the other hand, WACM4 removing the ability for any flexibility with regard to the ORLB restrictions could result in detriment to some Users. If this led to a reduction of TEC or the inability for the project to connect as intended, and if these were for reasons outside the User's control, this could have a negative impact on facilitating effective competition as it reduces the overall capacity of projects connecting. It is considered that on balance, it is better for NESO to have the discretion and flexibility afforded under the Original Proposal, although the direct impact on better facilitating the achievement of ACO (b) is likely comparable to the Original Proposal; however it would better facilitate achievement of ACO (b) when compared to the status quo.

WACM5: Remove Project Designation

3.2.60 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it removes the PDM and Designation ability from NESO.

3.2.61 We acknowledge some perceive WACM5 to better facilitate the achievement of ACO (b) than the Original Proposal on the basis that its removal of the Designation tool means all projects are allocated capacity and queue position in accordance with the CNDM – therefore treating all projects equally rather than NESO being able to utilise Designation to the benefit of particular projects (which could be seen to potentially inhibit competition). That being said, we note the importance of the PDM in respect of

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better facilitating the achievement of ACO (a) and in terms of the overall package of reform in general (please see our decision on the PDM for further details on this).

3.2.62 On balance, while we acknowledge Designation is a tool which is not available for the benefit of all projects, we consider the set governance arrangements around its use (set out in our decision on licence changes[108]) are sufficiently robust that the presence of the PDM does not lead to WACM5 better facilitating the achievement of ACO (b) than the Original Proposal, we believe their impact is the same in terms of better facilitating the achievement of ACO (b); however it would better facilitate achievement of ACO (b) when compared to the status quo.

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

3.2.63 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places an obligation on NESO to carry out a review and publish a report on the Methodologies' performance, and could lead to eventual codification of the Methodologies. As covered above on page 15, we note that some workgroup and Panel views expressed support for WACM6 due to the certainty it was considered to offer investors and developers. We do not consider WACM6 necessary to achieve these benefits, as we note that the annual review process for the Methodologies as set out in our new licence conditions are expected to achieve the same result, ie monitoring and reviewing the effectiveness of the TMO4+ proposals.[109]

3.2.64 Given the nature of the detail that is in the Methodologies, and for the reasons given above at Element 1, we do not think that codification of the Methodologies is appropriate. The Methodologies should be in NESO ownership and have greater flexibility to change (subject to Authority approval) in order to maintain the longevity of the connections process. WACM6 could result in NESO not having authorship over the Methodologies (in the event it led to their codification), such that in the event updates

[108] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[109] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.

are required to the connections process in future, this would likely be more difficult and slow to achieve than would be under the Original Proposal (for the reasons set out above at Element 1). This could lead to WACM6 not better facilitating the achievement of ACO (b) as compared to the Original Proposal as a result, since if any future risk in the connections process to competition could not be quickly remedied, this could have a detrimental impact on ACO (b); however it would better facilitate achievement of ACO (b) when compared to the status quo.

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

3.2.65 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it would introduce a Pause for applicants to review information about the status of other projects published by NESO in a Gate 2 Register. At the time of our Minded-to consultation on 14 February 2025, we considered WACM7 would better facilitate achievement of ACO (b) than both the Original Proposal and status quo, and consequently our minded to position was to approve this WACM.

3.2.66 Publication of the Gate 2 Register was expected to have a positive impact on facilitating effective competition. It was considered that the transparency of WACM7 would give applicants the best possible information following NESO's completion of evaluating the Gate 2 evidence to enable developers to re-evaluate their project's prospects in light of the status of other projects. We considered WACM7 more likely to enable the facilitating of effective competition and better outcomes for Users as a result (through the self-termination of speculative or less likely to connect projects which could create earlier connection opportunities for proceeding Users).

3.2.67 We recognised that the benefit in impact of WACM7 would be dependent on User behaviour in response to the publication of the Gate 2 Register. Following our Minded-to consultation which closed on 14 March 2025, we have reviewed stakeholder feedback on our Minded-to position. As stated above in ACO (a) above, following stakeholder feedback we consider it unlikely that the expected benefits of WACM7

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would occur to the extent initially envisaged were this option approved, due to an expected reduced likelihood of withdrawals occurring in response to the Pause.

3.2.68 On balance, we therefore consider WACM7 would likely better facilitate achievement of ACO (b) **equally to** the Original Proposal (not greater than, as we had believed in our Minded-to consultation), but greater than the status quo.

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

Workgroup and Panel view

3.3.1 We note that the majority view of Panel, Workgroup members[110], and respondents to the CAC was that the Original Proposal and all other WACMs were neutral as regards better facilitating the achievement of ACO (c) than the status quo.

3.3.2 However, one Panel member did raise a point regarding Article 37(6)(a) of the 2009 Electricity Directive[111]. In short, the Panel member appears to take the view that the Methodologies introduced through this series of reforms require to be approved by the Authority, with that Authority approval only being able to be given via the code modifications process.

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

Minded-to Consultation views relevant to ACO (c)

3.3.4 There were no views in the Minded-to consultation directly applicable to ACO (c).

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

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Our view

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

Overall, we agree with the majority of workgroup and panel members as we are of the view that the Original Proposal with all its Elements would have a neutral impact on ACO (c) compared to the baseline and that WACMs 1-7 would equally have a neutral impact on ACO (c) compared to the Original.

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

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

Workgroup and Panel view

3.4.1 The majority view of workgroup and Panel members was that the Original Proposal better facilitated the achievement of ACO (d).[112] The view was expressed by workgroup and Panel members that higher entry requirements would allow network operators to focus on projects most ready to proceed. A move from a continuous to batched application and offer process would necessitate the development of further efficiencies in NESO. Another positive impact in terms of ACO (d) was seen by workgroup members

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

in the move to a batched assessment process which would allow for improved coordinated network designs, which would ultimately help improve investment plans for network operators as there will be greater certainty in the connection offers being provided by each company. A concern expressed by a workgroup member in terms of the Original Proposal was that it did not demonstrate sufficiently robust evidence that the size of the queue would be reduced, by slowing the rate at which new projects may apply or accelerating existing projects.

3.4.2 Mixed views were expressed by workgroup and Panel members in terms of WACM1 better facilitating the achievement of ACO (d).[113] Some workgroup and Panel members thought that WACM1 would have clarified a part of the connections process and therefore have a positive impact. On the other hand, concern was expressed by workgroup and Panel members that WACM1 could have caused confusion by implementing different thresholds in two industry codes and there could be a potential for unintended consequences.

3.4.3 WACM2 was rated mainly by workgroup and Panel members to better facilitate the achievement of ACO (d).[114] The main argument by workgroup and Panel members for this was that the defined timescales introduced by WACM2 provided more certainty in the process. On the other hand, a workgroup members saw WACM2 as placing unrealistic expectations on DNOs. In addition, the view was expressed by workgroup and Panel members that the CUSC is not the right place for this change and that the DCUSA or licences could be a better place for its efficient implementation.

3.4.4 WACM3 was mainly seen as better facilitating the achievement of ACO (d) by workgroup and Panel members.[115] The view was expressed by workgroup and Panel members that WACM3 provides clarity for CUSC Users. Furthermore, a workgroup member thought that the defined requirements for capacity reallocation were stringent and effective. Furthermore, the view was expressed in response to the CAC that

[113] WACM1 received: 22 positive, 11 negative and 6 neutral votes against ACO (d).
[114] WACM2 received: 22 positive, 8 negative and 9 neutral votes against ACO (d).
[115] WACM3 received: 30 positive, 4 negative and 5 neutral votes against ACO (d).

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WACM3 would have resulted in a more efficient administration of connection agreements.

3.4.5 WACM4 was mainly seen by workgroup and Panel members to better facilitate the achievement of ACO (d)[116] as it prescribes the requirements for ORLBs and therefore leads to more certainty and a better process. The main concerns raised by workgroup and Panel members were based on the question as to whether the CUSC was the right place for this proposal. Some thought this would be better placed in the Methodologies. One further view expressed by a workgroup member was that the restrictions to the ORLB should be codified at a later stage.

3.4.6 WACM5 was mainly seen as better facilitating the achievement of ACO (d) by workgroup and Panel members.[117] On the contrary, the concern was raised by a Panel member in terms of WACM5 that it could have introduced detrimental unintended consequences on factors like security of supply, network efficiency and consumers.

3.4.7 WACM6 received mixed views from workgroup and Panel members in terms of whether it better facilitated the achievement of ACO (d).[118] Some workgroup and Panel members were of the view that WACM6 could have opened the road for codification. While this was seen as a positive by some workgroup and Panel members as it would provide legal certainty, others thought it could have led to reduced flexibility. One workgroup member expressed the view that WACM6 was setting a direction that did not need to be decided at this point.

3.4.8 Workgroup and Panel members had mixed views regarding WACM7 better facilitating ACO (d).[119] The main positive aspect was the improved transparency. However, one concern was expressed by a workgroup member that WACM7 could have encouraged speculative applications, which would then have been withdrawn following Gate 2 Criteria evaluation. Further, workgroup and Panel members thought that parties would

[116] WACM4 received: 25 positive, 9 negative and 5 neutral votes against ACO (d).
[117] WACM5 received: 26 positive and 13 negative votes against ACO (d).
[118] WACM6 received: 29 positive, 8 negative and 2 neutral votes against ACO (d).
[119] WACM7 received: 24 positive, 8 negative and 7 neutral votes against ACO (d).

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have different routes in obtaining sufficient information on other parties' connection planning status via already existing routes. Another concern raised by a workgroup member was that WACM7 could elongate the process and lead to more complexity.

Minded-to Consultation views relevant to ACO (d)

3.4.9 This section covers stakeholder views on our Minded-to consultation that are pertinent to our analysis of ACO (d). A trend among responses was scepticism that WACM7 would have offered any additional benefit, despite coming with a high administrative cost. This was attributed to both the perceived inability to incentivise withdrawals (as previously covered above) and the extra time delay the Pause could cause.

Our view

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

Overall, we consider the Original Proposal would better facilitate ACO (d) than the status quo. This is mainly due to the greater efficiency anticipated to be achieved by the introduction of the gated approach in processing applications and allocating capacity. It would also create a more streamlined process to governance which can enact changes more quickly. The regular cycle of the Gated process should enable better resource planning for NESO and TOs. While there will be a regular higher resource burden to process batched applications, this would be outweighed by the efficiency gains from higher entry requirements – reducing wasted resources on projects that are not viable or needed.

We consider that Elements 1, 2, 3, 11, 13, 15, 16 and 18 would better facilitate ACO (d) than the baseline. Further, we anticipate that Elements 4, 5, 9 and 10 would have a neutral impact on better facilitating ACO (d) than the status quo.

In addition, we are of the view that WACM2 will better facilitate ACO (d) than the status quo and all other WACMs. The reason for this being that it will create greater equality between transmission and distribution and ensure fairer outcomes for all connection customers such that distribution customers can expect to receive offers in accordance with the expected

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timetable.

It is anticipated by the Authority that WACM1, WACM4, WACM5, WACM6 and WACM7 would not better facilitate ACO (d) than the Original Proposal. WACM2 and WACM3 in the view of the Authority would better facilitate ACO (d) than the Original Proposal.

Element 1: Proposed Authority approved Methodologies and NESO Guidance

3.4.10 On Element 1, we acknowledge some Minded-to consultation responses expressed opposition to Element 1 of the code decisions (ie CMP434 and CMP435) as well as our statutory licence consultation.[120] We have considered these views. Our view on Element 1 remains unchanged and is as follows.

3.4.11 For the reasons given previously, we consider that the Methodologies being contained outside the codes is most appropriate, given NESO's role and responsibilities. Specifically with regard to ACO (d), this new more streamlined governance arrangement will enable changes to the connections process to be enacted more quickly than they would have been via the code modification process under the status quo, therefore granting NESO and TOs more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements.

3.4.12 It is also considered that the avoidance of regular code modification workgroup meetings, in respect of the connections process, will free up NESO (and industry) resource to focus on carrying out the implementation and administration of the CUSC instead. This will reduce the administrative burden on NESO, giving NESO more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements. Equally, this will secure any needed updates to the connections process more efficiently than would be the case in the existing code governance process (through the avoidance of industry time and resource spent on workgroups).

[120] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.

3.4.13 The new governance process sets out a minimum review requirement of once per annum. It is anticipated that this will ensure the connections process remains fit for purpose in perpetuity, given this will mandate a regular review timeline – and updates can be brought about more swiftly than this where the need arises, benefitting ACO (d). Further, the Authority will hold a power (via the new licence conditions[121]) to instruct NESO, at any point, to update the Methodologies to ensure they are still fit for purpose.

3.4.14 We recognise that there may be a risk that NESO does not provide an update to the Methodologies (in form or content) that the Authority is able to approve, such that it requires NESO to be directed to redraft accordingly. In this case, we expect this would overall still prove to be more expedient to secure updates to the connections process than the baseline (code modification governance process). We do not consider this a likely outcome, however, given the transparency and clarity provided by the new proposed licence obligations, especially the objectives each Methodology must be drafted against.

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

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

3.4.16 Introducing set application windows will create a regular application cycle, which will have a more predictable demand curve for NESO and TOs to manage (as applications may only be made during the relevant application windows, as opposed to the status quo where applications can be made anytime).[122] NESO and TOs will therefore have a better idea of the levels of resource required – and what their primary focus should be – during and after closure of an application window. Whilst the level of applications that

[121] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[122] We recognise distribution customers will continue to be able to apply all year round; however the timeline for DNOs/iDNOs submitting Transmission Evaluation Applications to NESO will be on the same timeline as the regular application windows for transmission customers, therefore to this extent this predictable demand curve also applies.

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will be received in any window cannot be forecast, generally this move to bi-annual application windows will allow NESO, DNOs/iDNOs and TOs to have a more predictable workload at pre-defined stages per year, which will enable them to better plan their resources accordingly such that they can fulfil their obligations more efficiently, benefitting ACO (d). This will then enable more focused, efficient network build which reduces network costs ultimately payable by consumers.[123]

3.4.17 This being said, the application windows will place a burden on NESO, TOs and DNO/iDNOs to adequately resource themselves and have robust processes in place to handle the new application process. In the event these actors misjudge the resource required and are ill-equipped to handle the spike of demand in connections applications that will occur at an application window, it could be the case that the sorting of applications takes longer than it ought to, which would therefore not promote efficiency in the implementation and administration of the CUSC arrangements, although we expect this risk to be relatively remote given the involvement of these organisations in the development of these proposals.

3.4.18 Further, given the move to the application windows approach, connection customers will not receive connection offers within 90 days (as is the case on the baseline). This means this change by Element 2 will see connection customers receiving connection offers later than they would in the absence of this change. On balance, we consider this change is offset by the expected benefits in only allocating capacity and producing connection offers for those that are ready and needed, as according to the Gate 2 criteria.

3.4.19 We agree with some stakeholder views that the higher entry requirements achieved through the gated approach (which sees capacity only allocated to projects which have met the gate 2 criteria) will promote efficiency in the implementation and administration of the CUSC arrangements as it will ensure that NESO and TOs are only spending significant time processing confirmed offers and designing the network for

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

projects which have met gate 2 criteria (the projects most progressed and needed by the system). This is an optimising of NESO and TO resource and should have the consequential impact of better connection dates for connection customers as only the most progressed (and needed by the system) projects are given firm queue position and dates.[124]

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

Element 3: Clarifying which projects go through the Primary Process

3.4.21 We consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 3, which specifies the scope of whom Element 2 applies to, is therefore positive as regards better facilitating the achievement of ACO (d) as against the status quo insofar as it dictates that the Primary Process from Element 2 applies to a wide range of connection customers.[125] We consider this beneficial as it amplifies the scale of benefits of CMP434 as tested against ACO (b).[126]

Element 4: Significant Modification Applications

3.4.22 For similar reasons as Element 3, we consider that Element 2 is the relevant Element here, given that sets out the Primary Process and the contents of it. Element 4, which merely specifies the scope of whom Element 2 applies to, is therefore neutral as regards better facilitating the achievement of ACO (d) as against the status quo.

Element 5: Clarifying any Primary Process differences for customer groups

3.4.23 On Element 5, this is considered neutral as regards better facilitating achievement of ACO (d) than the status quo, for similar reasons as set out on Elements 3 and 4.

[124] As set out in Ofgem, *TMO4+ Impact Assessment*, April 2025, heading: "*Impact on network build and connection dates*".
[125] As set out in CMP434 *Final Modification Report*, at page 13.
[126] This is a change from our minded-to position, following a re-evaluation against the ACOs.

Ultimately, the nuances of how the Primary Process differs for some connection customers is not expected to have a material impact on promoting efficiency in the implementation and administration of the CUSC arrangements.

Element 9: Project Designation

3.4.24 On Element 9, the Project Designation Methodology ('PDM') has been separately assessed by the Authority in our *Decision: Project Designation Methodology*. Overall, we expect the introduction of the PDM will have a neutral impact on ACO (d) compared to the status quo. Although there will be consultation requirements in place before Designation can be utilised by NESO, we do not expect – if the consultation is initiated in time – that this will cause any adverse effect on the issuing of offers for enduring windows. Further, there remains the ability for the Authority to waive this consultation requirement where certain criteria are met.[127] Overall, we consider the administrative burden of this is likely to be offset by the positive impact the Designation has on projects that are Designated, in respect of ACO (d)[128] such that, overall, the introduction of the PDM will have a neutral impact on ACO (d) compared to the status quo.

Element 10: Connection Point and Capacity Reservation

3.4.25 We acknowledge some Minded-to consultation responses expressed opposition to Element 10 of the code decisions (ie CMP434 and CMP435) as well as our decision on the CNDM.[129] We have considered these views. Our view remains unchanged on Element 10 and is as follows – and is also found in our final decision on the CNDM.[130]

[127] Ofgem, *Decision: Project Designation Methodology*, and *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[128] The consultation requirement is set out in the Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[129] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[130] Ofgem, *Decision: Connections Network Design Methodology*, April 2025, from page 17.

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3.4.26 Whilst there may be some small additional administrative burden to NESO in carrying out the annual review of any Gate 1 Offers with capacity reserved, this is likely to be offset by the benefits of: 1) seeking to avoid any potential disputes that connection customers (in the absence of a Reservation ability) could raise for being unable to achieve a gate 2 offer 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 Element 10 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.

3.4.27 Further, we consider Reservation is needed to prevent inefficiency in the CUSC arrangements – without this, certain projects (as explained in more detail above at ACO (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. Overall, we consider Element 10 will have a net neutral impact on better facilitating the achievement of ACO (d) compared to the status quo.

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

3.4.28 On Element 11, this is split into two parts: the Gate 2 criteria as well as the ongoing compliance requirements.

Component 1: Gate 2 Criteria

3.4.29 The Gate 2 Criteria threshold has been evaluated separately in our *Gate 2 Criteria Methodology* decision. Generally, we consider that moving to a gated connection process, whereby capacity is only allocated after Users have met the relevant Gate 2 Criteria, is expected to drive the most competitive behaviour from developers. This will

ensure the most ready-to-connect projects that the system needs are allocated capacity, with the intended result that more projects that receive Gate 2 offers will end up connecting (ie we expect to see a reduction in attrition). We do not agree with the view of some stakeholders that the Original Proposal will fail to reduce the size of the queue.[131]

3.4.30 Therefore if these outcomes occur, as we expect they will, this will better facilitate the achievement of ACO (d) as it could lead to a reduced administrative burden for NESO in the long run. With a connections queue focused on projects that are ready and needed, the need for NESO to intervene and exercise its compliance or termination powers ought to be significantly reduced, therefore better facilitating the achievement of ACO (d).

Component 2: Ongoing Gate 2 Compliance Requirements

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

3.4.32 If Element 11's ongoing compliance requirements were not put in place, the competitive standards adopted by developers would remain lower than they will be under Element 11, which could have led to developers being subject to the queue management termination provisions in the event they failed to suitably progress their project, which would have had an administrative burden associated for NESO in exercising those termination provisions. The ongoing compliance requirements, similarly to Component 1 above, will raise the bar for projects on an enduring basis and encourage the most competitive behaviour, with the expectation that few projects

[131] As set out in Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "*Appraisal of Impacts – Summary: Impacts of Connection Reform TMO4+ on the current connections queue*". However, we do acknowledge that the scope for accelerations is expected to be predominantly beyond 2030, see Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "*Appraisal of Impacts – Impact on network build and connection dates – overview*".

should fall below this standard and therefore avoiding the need for NESO to intervene (which would have a cost to ACO (d)).

3.4.33 Further, these heightened ongoing compliance requirements (in tandem with Component 1 above) ought to ensure fewer speculative projects receive Gate 2 offers. Should this occur, this will mean more capacity is available to be allocated to the most progressed (and needed by the system) projects, which is highly likely to result in earlier connection dates being offered to connection customers than would be the case on the baseline, therefore promoting efficiency in the implementation and administration of the CUSC arrangements.

Element 13: Gate 2 Criteria Evidence Assessment

3.4.34 The Readiness Declaration check on its own is not deemed to materially impact the better facilitation of achieving ACO (d), because whilst checking will be required, evidence must still be checked under the baseline. It could also be the case that the subjective "*reasonable endeavours*" obligation to conduct the more detailed checks gives some degree of discretion to NESO and DNO/iDNOs which would pose a risk to promoting efficiency in the implementation and administration of the CUSC arrangements.

3.4.35 Further, the presence of the duplication check is expected to add a small administrative burden to NESO in carrying these out (DNO/iDNOs do not do this). However, this is expected to be outweighed by the benefits of securing the most progressed and viable projects – through the prevention of projects potentially registering the same plot of land against multiple applications – which is highly likely to therefore result in earlier connection dates for those most viable projects due to the exclusion of non-viable projects from the queue.[132] As a result of the Readiness Declaration check and the addition of duplication checks, Element 13 is overall considered to better facilitate achievement of ACO (d) than the status quo.

[132] The scope for accelerations is expected to be predominantly beyond 2030, see Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "*Appraisal of Impacts – Impact on network build and connection dates – overview*".

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

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

3.4.37 We consider the move away from three months for making licensed offers is necessary to achieve the benefits set out above under Element 2. A holistic batch assessment of applications and the processing of offers (done by NESO and TOs) will require an amendment to the offer and acceptance timescales. Without Element 15, it is unlikely Element 2 would be able to better facilitate achievement of ACO (d) than the status quo. To this extent, Element 15 should better facilitate achievement of ACO (d) than the status quo as it will ensure that NESO and TOs have the time they need to process offers and design the network for projects which have met Gate 2 criteria (the projects that are progressed and needed by the system), thus promoting efficiency in the implementation and administration of the CUSC arrangements.

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

3.4.38 On Element 16, the Connections Network Design Methodology has been separately assessed by the Authority in our *Decision: Connections Network Design Methodology*. Against this background, there are links and references in the CMP434 legal text to the CNDM, and the concept of NESO processing Gate 2 Applications (that have met the Gate 2 Criteria) in accordance with this Methodology is included within CMP434. The CNDM being outside of the codes means that should any subsequent updates be required to this, they can be more efficiently implemented outside of the CUSC arrangements, therefore granting NESO more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements. This will have a benefit for connection customers in the long term as it ensures the enduring robustness

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of the connections process and that connection customers can continue to receive connection offers as efficiently as possible. Therefore, in reviewing the implications of Gate 2 Applications (that have met the Gate 2 Criteria) being processed in accordance with this Methodology, we consider Element 16 to better facilitate achievement of ACO (d) than the status quo.

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

3.4.39 The imposition of an obligation on DNOs/iDNOs to use "*reasonable endeavours*" to submit connection application information to NESO is expected to promote efficiency in the implementation and administration of the CUSC arrangements. Whilst, as we describe further at Element 18 of ACO (a) above, the language of "*reasonable endeavours*" makes the obligation on DNOs/iDNOs less decisive than it could otherwise be, overall it ought to make it more likely (than if Element 18 did not exist) that NESO will receive all connection information from DNOs/iDNOs when expected. We therefore consider that by this obligation being imposed on DNOs/iDNOs, it ought to reduce the prevalence of connection customers suffering detriment due to too much time being taken to provide distribution connection customers with an offer, which could be caused (for example) where this information is not passed along to NESO in the relevant application window and that a User is unable to be processed in that window due to no fault of their own. This will in turn reduce the number of cases of customers with disputes with NESO and DNOs/iDNOs and reduce the need for disputes to be referred to the Authority for determination.

3.4.40 As a result, Element 18 is expected to better facilitate the achievement of ACO (d) than the status quo. Note, we consider WACM2 (covered below in greater detail) goes even farther than Element 18 of the Original Proposal in this regard.

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3.4.41 Overall, noting the individual impacts all of the Elements above have on ACO (d), we deem that the Original Proposal has a cumulative positive impact on ACO (d) compared to the status quo.[133]

WACM1: Clarification of Embedded Definition

3.4.42 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it defines Embedded Power Stations differently. The error with section 11 of the legal text of WACM1, described at ACO (a) above, could result in unclear outcomes for a selection of customers. This WACM, if approved, could lead to confusion and disputes between network companies, developers and NESO on how to classify the relevant projects. This could lead to delays in a project receiving a connection offer and the disputes themselves could be time consuming for parties to resolve, therefore not promoting efficiency in the implementation and administration of the CUSC arrangements.

3.4.43 As a result, WACM1 does not better facilitate achievement of ACO (d) than the Original Proposal. This being said, in the event this legal text defect did not exist, we do not consider WACM1 is any better (or worse) than the Original Proposal; (for the reasons set out at ACO (a) above); therefore it would equally be an improvement compared to the status quo.

WACM2: DNO Submission Requirement

3.4.44 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it places firmer obligations on DNOs/iDNOs with regard to submission of information to NESO.[134]

[133] 7 positive Elements; 5 neutral Elements.
[134] To note, the Authority has also decided to make licence changes to place obligations on DNOs/iDNOs with regard to information submission requirements to NESO. More detail on these licence changes can be found in Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions,* April 2025, from page 62.

3.4.45 The firmer requirements placed on DNOs to submit connection application information to NESO in accordance with the Gated Application and Offer Process timescales will likely result in both the batched assessments being processed on time and therefore also connection customers' offers being provided as efficiently as possible, since the DNOs/iDNOs are held to a more robust standard than would otherwise be the case. This will create greater equality between transmission and distribution customer experiences, as distribution customers ought not suffer under WACM2 due to the firmer obligation requirements on DNOs/iDNOs. We agree with stakeholder views that WACM2 therefore ought to ensure adherence to the defined timescales, which could provide more certainty in the process and a consequential beneficial impact on ACO (d) through avoidance of any negative impact on the Gated Design Process (that could have been caused in the event any DNOs/iDNOs did not submit connection application information in time to NESO).WACM2 will maximise the likelihood of all connection customers receiving their connection offers on the timescales initially expected. In the absence of WACM2, there would have been a risk that NESO and the TOs did not have all required connection application information in time to begin the Gated Design Process, which could have had a detrimental impact on those affected customers.

3.4.46 As stated above at ACO (a), we do not share DNO/iDNO concerns with WACM2 regarding its more prescriptive wording. The obligations on DNOs/iDNOs in WACM2 are reasonable and proportionate. We note some stakeholder responses to our Minded-to consultation, which praised WACM2 for its ability to secure the best outcomes for connection customers – we agree with this view on the basis that this can ensure connection customers receive their connection offers on the timescales expected. Further, we note workgroup and Panel members expressed that the changes WACM2 seeks to achieve would be more fitting in the licences: we disagree and consider it is appropriate for these to be present in both the CUSC and licences.[135]

3.4.47 Therefore, WACM2 is anticipated to promote efficiency in the implementation and administration of the CUSC arrangements through the abidance by DNOs/iDNOs of the

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

timescales prescribed, resulting in a better facilitation of the achievement of ACO (d) than the Original Proposal, all other WACMs and the status quo.

WACM3: Capacity Reallocation Codification

3.4.48 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it restricts what NESO is able to do with freed up capacity following termination. Although from the connection customer's point of view, the capacity will still be allocated and customers will benefit from it as timeously as they would under the Original Proposal, there could be a slightly more positive impact on ACO (d) with regard to NESO. By WACM3 removing the ability for NESO to utilise freed up capacity for Project Designation or Connection Point and Capacity Reservation, this removes the degree of administrative assessment that would be required to be carried out by NESO in using the freed up capacity for either of those uses. As a result, it is foreseeable that WACM3 could have a more positive impact on better facilitating the achievement of ACO (d) against the Original Proposal and the status quo; however, this has a less positive impact on better facilitating the achievement of ACO (d) than WACM2 as WACM2's benefits remain most decisive.

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

3.4.49 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it limits the ability of NESO to waive or amend the ORLB provisions.

3.4.50 WACM4 removes the ability for the ORLB 50% requirement to be waived where justified, and removes the scope for the 50% permitted tolerance to be updated via the Queue Management guidance, which will keep the ORLB provisions codified.[136] Some may expect this would benefit ACO (d) since it would remove the ability for NESO to

[136] NESO, Guidance for the Queue Management process for Transmission Customers.

use its discretion on the ORLB, which would naturally entail a reduced administrative burden since no assessment would need to be made by NESO in this regard.

3.4.51 However, we consider that on the whole, WACM4 would make the ORLB provisions impossible to adapt in the short term and would not promote efficiency in the implementation and administration of the CUSC arrangements as a result. It could be the case that in some instances, the ORLB requirement ought to be waived (to avoid inadvertent outcomes). WACM4 would remove the ability for that to occur, which could therefore lead to Users suffering detriment for matters which may be beyond their control, which could lead to more disputes that NESO needs to handle than would be the case if WACM4 were not approved, eg where TEC is reduced and the developer is dissatisfied with this.

3.4.52 Further, if it transpires that the 50% restriction limit is (or becomes) unfit for purpose for whatever reason, since the codification of this element (as WACM4 entails) would require a code modification to amend it, this would create additional administrative burden on all parties which would not promote efficiency in the implementation and administration of the CUSC arrangements.[137] This burden of raising a code modification to amend the ORLB 50% requirement, which could arise through WACM4, would be significantly more onerous than the burden of NESO's discretion on the ORLB present in the Original Proposal and all other WACMs, ie the discretion of whether to relax the 50% requirement.

3.4.53 We therefore agree with some stakeholder concerns regarding whether the CUSC is the right place for this proposal. It is anticipated that WACM4 would not better facilitate the achievement of ACO (d) than the Original Proposal; although it would better facilitate the achievement of ACO (d) than the status quo.

[137] As the existing code governance process in place requires workgroups, two sets of consultations, and is usually set across many months/over a year; whereas a guidance update can be facilitated by NESO more quickly and without these governance stages.

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WACM5: Remove Project Designation

3.4.54 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it removes the PDM and Designation ability from NESO.

3.4.55 On the one hand, WACM5's removal of Designation means it would eliminate the need for NESO to spend administrative resource considering the Designation of projects; reviewing the PDM; and consulting on its Minded-to decision to Designate any projects, as well as various other governance steps.[138] Whilst we do not seek to comment on the merits or rationale behind the governance framework of the Designation tool in this decision[139], we acknowledge that WACM5 would eliminate these administrative burdens from NESO, which would mean that WACM5 would better facilitate the achievement of ACO (d) than the Original Proposal.

3.4.56 This being said, the removal of Project Designation would prevent those affected projects from being eligible for prioritisation in queue ordering, such that they would not experience more efficient connection and consumers would not see the benefits as efficiently either.

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

[138] Per the governance arrangements of the Designation tool, set out in our Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025, NESO is required to consult on their minded-to decisions to designate projects, clearly setting out the rationale for designating a project and its impact. After the consultation, NESO is required to post a public notice that it has designated a project and publish an impact assessment of its decisions, demonstrating the benefit to the system and consumers with reference to the relevant Designation Criteria. When NESO designates a project for connection, it is then required to submit this decision to the Authority for approval.
[139] Ofgem, *Decision: Project Designation Methodology*, April 2025.

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

3.4.58 WACM6 shares the same Elements as described in the Original Proposal above, with the exception that it places an obligation on NESO to carry out a review and publish a report on the Methodologies' performance, and could lead to eventual codification of the Methodologies. This in itself is evidently an administrative burden which would be placed on NESO and would therefore negatively impact ACO (d). We do not consider WACM6 is necessary as (as set out in our decision on licence changes[140]) there will be an annual review into each of the Methodologies to ensure they continue to meet their objectives, so WACM6 would be unnecessarily burdensome and repetitive.

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

3.4.60 We disagree with some stakeholder views that WACM6 is needed to provide increased legal certainty. We consider that the new governance arrangements achieved through our decision on licence changes provide sufficient certainty to industry on the Methodologies and any future revisions.

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

3.4.61 Therefore, the Original Proposal better facilitates the achievement of ACO (d) than WACM6 as a result; although WACM6 would better facilitate the achievement of ACO (d) than the status quo.

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

3.4.62 This WACM shares the same Elements as described in the Original Proposal above, with the exception that it would introduce a Pause for applicants to review information about the status of other projects published by NESO in a Gate 2 Register. At the time of our Minded-to consultation on 14 February 2025, we considered WACM7 would better facilitate achievement of ACO (d) than both the Original Proposal and status quo, and consequently our minded to position was to approve this WACM.

3.4.63 We considered the time and administrative resources needed to create the Gate 2 Register would have been outweighed by the benefit in the long run of having secured the greatest confidence in the connection queue and increasing the chances of customers connecting earliest, eg through any projects withdrawing following review of Gate 2 Register. Further, we considered any self-terminations would reduce the administrative burden on NESO and TOs through avoiding network design and creation of the connection offer for that User.

3.4.64 We also considered publishing the Gate 2 information in the Gate Register would improve transparency through giving more visibility of projects that submitted a Gate 2 application. Following our Minded-to consultation which closed on 14 March 2025, we have reviewed stakeholder feedback on our minded to position.

3.4.65 Whilst stakeholders did strongly agree with and support the improved transparency that the Gate 2 Register would have provided, we consider it unlikely that the expected benefits of WACM7 would occur to the extent initially envisaged were this option to be approved, due to an expected reduced likelihood of withdrawals occurring in response

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to the Pause, which puts into question the aforementioned benefits of WACM7 on ACO (d).

3.4.66 On balance, we therefore consider WACM7 would likely better facilitate achievement of ACO (d) **equally to** the Original Proposal (not greater than, as we had believed in our Minded-to consultation), but greater than the status quo.

Overall recommendation:

3.4.67 Following our Minded-to consultation in February 2025, we no longer consider WACM7 is the best option when tested against the ACOs. Consequently, we have decided to approve **WACM2** of CMP434 as this *does* test most positively against the ACOs. To summarise, this is because:

- WACM2 contains all of the core features of the Original Proposal which we deem positive against the ACOs: creation of Methodologies to house core components of the connections process; incorporation of a Gated approach, with application windows; a Letter of Acknowledgement requirement; Reservation of capacity for projects where there is need; new ongoing compliance requirements; duplication checks, and more;
- Further, WACM2 places firmer obligations on DNOs/iDNOs with regard to submitting project information to NESO, which will help to secure adherence to the timescales specified in the Gated Application and Offer Process. This will benefit NESO and TOs in preparation for and carrying out of the Gated Design Process, such that all actors can have confidence that all eligible connection applications from a relevant application window will be included in the process, resulting in the connections queue being optimised and connection customers receiving connection offers on time;
- WACM2 is an improvement on the Original Proposal in that it seeks to address a shortcoming of the Original Proposal (discussed in greater detail below at Element 13 of ACOs (b) and (d)) which exists with it: the Original Proposal (and all other WACMs) could have resulted in varying experiences for connection customers

depending on which DNO/iDNO they liaised with. WACM2 eliminates this likelihood of differing outcomes for customers depending on where their project is located regionally, which we consider is fairer both to customers and across DNOs/iDNOs;

- To this extent, WACM2 may result in fewer disputes arising between DNOs/iDNOs and connection customers;
- WACM2 is the best option to ensure most equal alignment between transmission and distribution, and therefore is likely to have the most positive impact on competition;
- WACM2 is the best option to ensure all connection customers are expected to receive connection offers on time and as expected in relation to their relevant application window.

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

4.1 Having reached the overall conclusion that WACM2 of CMP434 best facilitates the achievement of the ACOs in our assessment above, we have also assessed whether its approval is in line with our principal objective and other statutory duties.

4.2 We consider approval of WACM2 to be consistent with our principal objective of protecting the interests of consumers (both current and future) which includes their interests in the Secretary of State's compliance with the duties in sections 1 and 4(1)(b) of the Climate Change Act 2008 (net zero target for 2050 and five-year carbon budgets). It is our assessment that this proposed modification, as a key part of the connections reform package, is consistent with our principal objective by, amongst other things, enabling work to rapidly decarbonise the energy system efficiently – in a manner that avoids an unnecessary overbuilding of the network at additional cost to consumers. We also recognise that decarbonisation increasingly insulates GB electricity consumers from the future risk of further fossil fuel driven price spikes, enhances security of supply and contributes towards sustainable development.[141]

4.3 This package of reforms will promote efficiency and economy on the part of licensees. This is particularly the case for network companies and NESO, through ensuring network build is aligned to what is required for Clean Power 2030. This will then avoid unnecessary overbuild of the network that would otherwise be needed for the current queue – which would entail a slower rate of connections. It will also help secure a diverse and long-term energy supply (less reliant on fossil fuels) and promote economic growth, eg through more timely connection of demand.

Other relevant statutory duties

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

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

Decision notice

In accordance with Condition E2 of the Electricity System Operator Licence, the Authority, hereby directs that **WACM2** of CUSC modification proposal CMP434 '*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

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