Connection and Use of System Code (CUSC) CMP435: Application of Gate 2 Criteria to existing contracted background

Decision	The Authority[1] determines that Original Proposal 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

We have decided to approve the Original Proposal of CMP435. 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 CMP435 and any alternatives, the views of NESO as proposer of CMP435 (ie of the Original Proposal), 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[3]. It also contains a summary of views expressed on any alternatives raised. We then assess the CUSC modification proposals 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.

We compare our approved option (Original Proposal) against the status quo and Workgroup Alternative Code Modification ('WACM') 1 and provide our reasoning as to why we believe our decision better facilitates achievement of the ACOs than the status quo and WACM1.

We also provide our assessment of our decision against our Principal Objective and 'wider' statutory duties.[4] In reaching this decision, we have also had regard to other statutory duties, as more fully described in the Ofgem *Summary Decision Document: TMO4+ Connections Reform Proposals - Code Modifications, Methodologies & Impact Assessment* referred to as the 'Overarching' document herein – applicable to Ofgem, NESO and network companies.

CMP435 is a code modification which aims to implement changes to the connections process, as part of the enduring connections reform. This code modification applies the Gated process (as proposed in CMP434), to the existing contracted background.[5]

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[3] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[4] 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.
[5] In this document, existing contracted background means the projects in scope of CMP435, contracted and connected, as discussed in the section CMP435 - Original Proposal.

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Following our evaluation of all options, we have decided to approve **Original Proposal** of CMP435.

WACM1 contains all the core features of the Original Proposal that we conclude as positive against the ACOs, with the addition of a pause to allow Users to self-regulate following publication of the Existing Agreements (EA) Register. This feature would have introduced greater transparency and potentially competition when compared to the status quo. However, the majority of respondents to our Minded-to consultation, despite welcoming the greater transparency of information, were unclear as to whether, or did not believe that the information published would be enough to allow for market self-regulation. WACM1 would also introduce delays to the 'Gate 2 to Whole Queue process' compared to the Original Proposal.

After considering responses to our Minded-to consultation we have arrived at the view that the Original Proposal better facilitates the achievement of the ACOs than the status quo or WACM1. Nonetheless, we still believe that transparency of information that WACM1 would have achieved should be pursued as far as possible for the benefit of consumers and CUSC Users. Therefore, we have secured agreement from NESO that it will publish, of their own accord, the information as suggested in WACM1 within a timeline compatible with the 'Gate 2 to Whole Queue process'.

As a result of our approval of CMP435, the existing contracted background will be part of a new connections process. Our rationale for approving the Original Proposal (set out in greater detail below) is:

- The Original Proposal will introduce the concept of Methodologies with core components of the connections process. Having NESO as the author of Methodologies will ensure an efficient and economical transmission system, less administrative burden in the administration of CUSC (since the methodologies will not be codified) and a faster and more efficient route to update technical aspects of the connections process whilst maintaining transparency and robust governance;
- The Original Proposal applies the concept of 'Gate 2 to Whole Queue' which will streamline the existing connections queue so that it is focused on ready and needed

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projects. This will make the transmission system more efficient and economical and will facilitate competition in the sale and distribution of electricity since the rate of connections will increase.[6] It will also promote efficiency in the implementation and administration of the CUSC arrangements because the connections pipeline will be reduced in size, and made of readier and the most viable projects, with transmission capacity allocated more efficiently;

- The Original Proposal allows for reservation of capacity for existing projects where there is need, to avoid unintended consequences for projects that cannot genuinely meet Gate 2 until they have confirmed point of connection and capacity;
- The Original Proposal introduces new ongoing compliance requirements on existing projects, which will avoid major changes within the project site, incentivising also the progress of projects by demonstrating submission of planning permissions within a certain period;
- The Original Proposal allows for duplication checks to be done by NESO, which will ensure that more than one project does not utilise the same plot of land; and
- The Original Proposal brings about contractual changes which will ensure that only the projects that meet the Gate 2 criteria have a confirmed queue position, so that the connections queue is made of ready projects that are also aligned with strategic energy plans set out by Government to facilitate GB net zero ambitions.

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

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1. Background

1.1 The background to CMP435 is set out in the Overarching document.

Context

1.2 NESO is required under its Electricity System Operator Licence ('NESO Licence') to maintain and operate the CUSC.[7] 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.[8] The modification 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.[9] This includes consumers' interests in the Secretary of State's compliance with the net zero target and five-year carbon

[7] Condition E2 of the NESO Licence.
[8] 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.
[9] 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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budgets. A fuller description of Ofgem's relevant statutory duties is provided in the Overarching document.

The ACOs

1.5 The ACOs against which the options under CMP435 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;*[10]
> *(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.*

[10] In respect of this ACO, please see our letter here. Please also see footnote 47 on page 18 of this document.

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2. The modification proposal

2.1 CMP435: *Application of Gate 2 Criteria to existing contracted background* aims to deliver a one-off exercise through a newly proposed process in CUSC Section 18, which applies many elements of TMO4+ (ie from CMP434) to the existing connection queue. This includes the gated process for existing agreements ('EA'), compliance with Methodologies, Gate 2 requirements and evidence assessment and Reservation. This code modification defines which projects will be in scope of the 'Gate 2 to Whole Queue process'[11], the process involved to receive a gated offer and the contractual changes that will occur. It also proposes a cutover date[12] for when projects are classified EA. After this date, in scope of TMO4+ will no longer be processed under the process set out by CMP435 but will follow the CMP434 regime. The end result of this code modification is that all existing contracted projects in scope will receive either a Gate 1 or Gate 2 contract variation, and therefore the current queue will be reorganised based on projects that are ready and needed, in line with the rest of TMO4+.

Original Proposal

2.2 The Original Proposal 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 introduce a high level concept of Methodologies to give them a functional link into the

[11] This is the process envisaged by NESO that applies the reformed connections process made of gates and windows, implemented in CMP434, to the existing contracted background in scope affecting the electricity transmission network. It is considered a one-off exercise, under newly proposed Section 18 of the CUSC, for which existing projects in scope would need to submit an existing agreement request within one window and NESO and the pertinent network company would evaluate those applications before CMP434 applications are processed.
[12] This is a non-calendar date suggested as a new definition in CUSC Section 11 and defined as "EA Cut Off Date". This date will determine what projects are categorised as Existing Agreements for the purposes of Section 18 of the CUSC. Any application submitted beyond that date should be considered part of the CMP434 regime and processed accordingly.

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

- **Element 3: Clarifying which projects go through the Gate 2 to Whole Queue Process (Primary Process)[14]** – notes the types of projects in scope of CMP435 (contracted and connected)[15], including directly connected generation, directly connected interconnectors and offshore hybrid assets, directly connected demand, large embedded generators and relevant small and medium embedded generators.[16] These projects will be part of the 'Gate 2 to Whole Queue process'.[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]
- **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 within the 'Gate 2 to Whole Queue process, 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]

[13] CMP435 Final Modification Report, pages 10-11.
[14] This is the new connection process based on a bi-annual application window with two formal gates introduced in CMP434. This process applies to all relevant connection applications in scope of connections reform. For further details see FMR of CMP434, page 10.
[15] Connected projects are only in relation to any project stages which have not been energised yet.
[16] CMP435 Final Modification Report, pages 11-12.
[17] This process is a one-off exercise.
[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 10-13.
[20] CMP435 Final Modification Report, page 13.
[21] CMP435 Final Modification Report, pages 13-14. Reservation is only available to applicants that have not met the Gate 2 criteria within the 'Gate 2 to Whole Queue Process' and will only be provided for where the User has indicated

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- **Element 11[22]: 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).[23] Failure to meet these obligations will impact the relevant party's entitlement to the intended installed capacity (and potentially Transmission Entry Capacity 'TEC') or lead to 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[24]; 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 outside the ORLB, in absence of NESO discretion). Furthermore, the project must comply with minimum acreage requirements.[25]
    - Planning: the deadline to meet Milestone 1 (per Queue Management[26]) will be the earlier of either the date calculated forward from the point at which a project meets the Gate 2 criteria (see page 17 of CMP435 FMR[27]) or the date backwards-calculated from the project's contracted completion date (relying on the Queue Management process).[28]

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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 Agreement to Vary 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 that offer. Further, any subsequently made Gate 2 Offer will be made on that basis (ie with same specified site).

[22] We note that the CNDM and PDM as presently drafted will play a role in determining whether a project has met the Gate 2 Criteria. While this is not required by or expressly envisaged in the legal text of CMP435, there is nothing to preclude it and, as explained elsewhere, our present view is that the Methodologies function effectively together.

[23] CMP435 Final Modification Report, pages 14-18.

[24] CMP376: Inclusion of Queue Management process within the CUSC | Ofgem.

[25] As according to the Energy Density Table set out under CMP427.

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

[27] CMP435 Final Modification Report, page 17.

[28] 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.

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- **Element 13: Gate 2 Criteria Evidence Assessment** – the criteria for meeting Gate 2 is set out in the Gate 2 Criteria Methodology[29]; 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. As part of the EA Request[30], developers will (if they wish) be able to reduce TEC or Developer Capacity and request an advanced connection date.[31]
- **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 Alignment criterion B[32] in the Gate 2 Criteria Methodology to relevant projects informed by the capacities in the Clean Power 2030 Action Plan ('CP2030 Action Plan').[33]

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 CMP435 FMR at page 17) 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.

[29] NESO, Gate 2 Criteria Methodology.

[30] EA are the agreement types in accordance with CUSC Section 18.5. An EA Request is a request by a User in accordance with CUSC Section 18.8 for an EA Project to be given the status of Gate 2 EA; as defined in CUSC Section 11.

[31] CMP435 Final Modification Report, pages 18-19. 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 Existing Agreements Request within the 'Gate 2 to Whole Queue 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. As part of an Existing Request, developers will be able to request a reduction in Transmission Entry Capacity or Developer Capacity and an advanced connection date if they wish.

[32] 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 Ofgem, *Decision: Gate 2 Criteria Methodology*, April 2025.

[33] CMP435 Final Modification Report, page 20.

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- **Element 19: Contractual changes** - implements the contractual changes required to apply the gated process to the existing contracted background in scope of the 'Gate 2 to whole queue process', by allowing the existing contracted background in scope to have either a Gate 1 variation contract via an Agreement to Vary or a Gate 2 variation contract via modification offer. It also classifies the categories of customers affected, explaining the contractual changes that will occur in each customer category, the evidence customers need to provide and the implications and consequences following the revised contractual position.[34] This Element is only part of CMP435.
- **Element 20: Transitional Arrangements and Cutover Arrangements** - introduces Cutover Arrangements to avoid the processes set out respectively in CMP434 and CMP435 running in parallel. NESO has provided a cut-off date beyond which connections applications cease to be considered EA and will instead be subject to the processes set out in CMP434.[35] This Element is only part of CMP435.

Workgroup Alternative Code Modification (WACM1)

2.3 Alongside the Original Proposal, there is one WACM for CMP435. WACM1[36] operates in general terms in the same way as the Original Proposal, sharing the same Elements, but proposes to introduce a Pause for market self-regulation before NESO and TOs begin the Gated Design Process. WACM1 obliges NESO after the completion of the Gated Assessment to compile and publish an EA Register. The EA Register would contain information on which EA for a project are Effective[37], taking into consideration connection point, completion date, installed capacity and technology type of each of

[34] CMP435 Final Modification Report, pages 20-25.
[35] CMP435 Final Modification Report, pages 25-26.
[36] WACM1 of CMP435 operates largely in the same way as WACM7 of CMP434, with WACM1 of CMP435 being amended to reflect the fact that CMP435 applies the reformed connections process made of gates and windows, implemented in CMP434, to the existing contracted background in scope affecting the electricity transmission network.
[37] Defined in CUSC Section 11, an Existing Agreement's request is deemed effective by NESO when the request reasonably meets the requirements of CUSC Section 18.8.

these projects. The EA Register will also confirm which EA for a project have expressed an interest in Reservation.

Workgroup views

2.4 The Workgroup concluded by majority that the Original Proposal and WACM1 better facilitated the ACOs than the Baseline[38].

CUSC Panel[39] recommendation

2.5 At the CUSC Panel meeting on 20 December 2024, the Panel recommended by majority that the Original and WACM1 better facilitated the ACOs. By majority the Panel recommended that WACM1 (5 out of 8 votes) best met the ACOs.

Ofgem Minded-to consultation

2.6 On 14 February 2025, the Authority published a Minded-to consultation on the overall TMO4+ package of reforms.[40] 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 CMP435. Many of the points raised by consultation respondents were already captured in our Minded-to consultation document, and so are not reflected again here. Any responses which had views pertinent to different areas of the consultation (eg to the Methodologies or licence decisions) are covered in those separate decisions.[41]

[38] See Annex 8 - CMP435 CUSC Alternative and Workgroup Vote, pages 23-25.
[39] The CUSC Panel is established and constituted from time to time pursuant to and in accordance with section 8 of the CUSC.
[40] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[41] Some concerns were around how the new process would affect Nationally Significant Infrastructure Project's (addressed in Ofgem *Decision: Gate 2 Criteria Methodology*), community projects, embedded generators (especially large embedded generators in Scotland), demand and projects beyond 2037. Other concerns were raised about: the use of methodologies, CP2030 Action Plan capacity pots were criticised for not reflecting system needs, planning was criticised as a bad indicator of readiness which also unduly disadvantaged projects in Scotland, and the uncertainty caused by all of these changes.

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2.7 On the first consultation question (*Do you agree with our Minded-to position to approve WACM1 of CMP435?*), of those who expressed a view, a slight majority of respondents were in agreement with our Minded-to position to approve WACM1: with 27 in favour, 20 against, and 34 did not comment.

2.8 On the second consultation question (*Do you expect the Pause for market self-regulation and information published in the EA Register would lead to a different approach taken by projects?*), of those who expressed a view, a majority of respondents believed the Pause for market self-regulation and information published in the EA Register could lead to a different approach taken by projects: with 23 in favour, 13 against, and 45 did not comment.

2.9 Of respondents that were supportive, they considered that the EA Register would help Users to understand information on other projects (eg locations) and therefore their own project's chances in light of this. One thought that the advancement process would facilitate efficiency and reduce modification applications. There was broad support for the added transparency. Some wanted tweaks like liabilities, security profiles, queue order, or what phase formation the project is in, added to the Register.

2.10 Many did not see the value of the information in the Register and did not think it would change User behaviour. Instead, they thought developers would assess their project's prospects before applying for Gate 2 or afterwards once they have the full information. There was little incentive seen to withdrawing during the Pause, as by this point developers were liable to have expended significant resources in getting there. It was considered that the information provided in the EA Register was immaterial. Information available already was seen as sufficient and the Register was not seen as enhancing this meaningfully. Examples of meaningful information, which was seen as lacking at the point of the proposed pause, was identified as: which projects were considered to be protected from the CP2030 Action Plan, how NESO applied capacity allocation using the CP2030 Action Plan, and relative queue positions.

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2.11 One respondent thought that there would be very limited ability to assess if a project can request or amend Advancement between Gate 2 Applications and the Pause, because the time to make this decision (ie the duration of the Pause) would have been too short. Many respondents were of the view that the Pause would cause delays to the 'Gate 2 to Whole process'.

2.12 It was pointed out that many projects would be protected, and constraints like geography were seen as blockers, therefore the utility of having a Pause to self-regulate would be diminished. Some believed WACM1 would create gaming opportunities, as were unintended consequences (in general) from releasing the project information.

Our decision

2.13 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[42] and the industry consultation(s) on the modification proposal which are attached to the FMR.[43] We have also considered and taken into account the votes of the Workgroup and CUSC Panel on CMP435.[44]

2.14 We have concluded that:

- Both the Original Proposal and WACM1 better facilitate the achievement of ACOs (a), (b), and (d) as compared to the status quo and both have a neutral impact on better facilitating the achievement of ACO (c). Overall, implementation of Original Proposal will best facilitate the achievement of the relevant ACOs;[45] and

[42] Consultation on connection reform (TM04+) enablers, including a statutory consultation on modifications to licence conditions | Ofgem.
[43] 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
[44] 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.
[45] As set out in Standard Condition E2 of the Electricity System Operator Licence.

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- directing that Original Proposal be approved is consistent with our principal objective and statutory duties.[46]

2.15 The Elements which make up CMP435 have largely the same effect as those corresponding Elements in CMP434, so that the concept of Gate 2 developed under CMP434 can be applied to the existing contracted background. However, for more information on whether the Elements differ please see the section titled 'Proposer's solution' which starts on page 10 of the CMP435 FMR and explains the key differences between the Element in CMP434 and the same Element in CMP435.

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

[46] 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

(a) The efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence[47]

Workgroup and Panel view

3.1.1 The majority of workgroup members supported both the Original Proposal[48] and WACM1[49] as better facilitating the achievement of ACO (a).

3.1.2 Both proposals were seen by workgroup and Panel members as helping to balance the system by prioritising the most ready projects.

3.1.3 There were strong views regarding the Methodologies, as enabled by CMP435 approach and the lack of codification. Some recognised the flexibility it provided but also noted drawbacks, namely the inability to fully assess the proposals' impacts[50], while another wanted codification to come later due to the risk to investment from NESO unilaterally changing Methodologies. Considering the non codification of Methodologies, other more negative views considered that the Methodologies may cause the loss of confirmed connection rights for mature projects which could lead to increased costs to consumers or that ready and needed projects should not go

[47] 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) Electricity Act 1989 ("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) of EA89. 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 CMP435, 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.
[48] With 28 positive, 4 negative and 2 neutral votes.
[49] With 26 positive, 6 negative and 2 neutral votes.
[50] This view was also expressed in relation to ACO's (b) and (d) but will only be noted here to reduce duplication.

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through Gate 2 as this could impede progress and delay CP2030 Action Plan. Another was simply that codification would lead to a more efficient market design. We addressed the stakeholder views regarding the codification of methodologies in our analysis of ACOs (a), (b) and (d), under Element 1.

3.1.4 Furthermore, the view was expressed in terms of both the Original Proposal and WACM1 that a lack of detailed debate on the impacts on costs, benefits, and risks and a lack of debate on embedded generation could pose a risk to the investment climate. Stakeholders' views about costs are addressed under Element 19 of ACO (a). Concerns around embedded generation are covered in the analysis of ACO (b), under Element 3.

3.1.5 Overall, despite these concerns, workgroup and Panel members expressed the view that the Original Proposal better facilitated the achievement of ACO (a) by providing the foundation of the new process, which by allowing the queue to be made up of readier and more viable projects, enabled a more coordinated and efficient network design for connections.

3.1.6 In addition, workgroup and Panel members were of the view that the Original Proposal will lead to more coordination which is aligned with strategic network design and that this would lead to a more efficient capacity allocation and hence would positively impact ACO (a). In the view of workgroup and Panel members, this would lead to more efficient transmission investment as it will use batches of projects to holistically plan, thus giving more certainty to investors. One workgroup member was of the view that this enhanced investor certainty was only going to be achieved in conjunction with a strong Gate 2 Criteria methodology which is properly enforced.

3.1.7 The Original Proposal was seen as neutral by some workgroup and Panel members in respect of ACO (a) due to the lack of evidence to assess the impact on projects and investment. Furthermore, some workgroup and Panel members thought that the Original Proposal could negatively impact ACO (a) as the Gated Process was too

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centred around land rights which were not uniformly applicable[51]. When comparing the Original Proposal to WACM1, the Original Proposal was seen by one workgroup and Panel member to lead to 'blind' advancement requests[52] which could result in abortive work for network companies should Gate 2 offers be unwanted (we cover this view under Element 13 of ACO (a).[53] Another was that the Original Proposal would only be efficient if land rights were uniformly applied and checked (we provide our view in ACO (a) under Element 11).

3.1.8 Some workgroup and Panel members thought that WACM1 better facilitated the achievement of ACO (a) than the Original Proposal as it provided additional data for developers to make an informed decision. This would avoid network companies undertaking work which would later be aborted should Gate 2 offers come back unfeasible or undesirable.[54] One workgroup member was of the view that WACM1 should go further and release more data. WACM1 was also seen by some workgroup and Panel members to enhance transparency which could facilitate the rapid development of an efficient transmission network, encourage investment and help meet CP2030 Action Plan goals. On the contrary, another view was that WACM1 would elongate the process and add unnecessary complexity.

Minded-to consultation views relevant to ACO (a)

3.1.9 This section covers stakeholder views on our Minded-to consultation that are pertinent to our analysis of ACO (a). Most respondents supported our position to approve WACM1, albeit they did not consider it possible to know whether the information made available would be enough to inform a change in their strategy. Of those that did support WACM1, they cited the increased efficiency of being able to withdraw or advance projects based upon greater information. However, there was a common

[51] This view is also relevant to ACO (b) but will only be noted here to reduce duplication.
[52] The policy of Advancement is covered in detail in the CNDM. The Advancement request is made "blind" because Users will not know if the requested date and location can be accommodated, since this is based on the coordinated network design done by TOs, after the closure of the Existing Agreements request window. Once the customer receives a connection offer based on advancement it has three options: accept it, let it lapse or request a reoffer.
[53] These views are also relevant to ACOs (b) and (d) but will only be noted here to reduce duplication.
[54] These views are also relevant to ACOs (b) and (d) but will only be noted here to reduce duplication.

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view that the Pause could cause additional delays to the 'Gate 2 to Whole Queue process'.

3.1.10 Within the majority that supported our position and considering respondents that disagreed with the approval of WACM1, the most common view was that the information published in the EA Register would not, however, be sufficient to persuade Users to withdraw their applications. This is because: a) Users would value a Gate 2 connection agreement (since the reformed process raises the entry requirements), b) Users would need to see their queue position (in order to make a decision on whether to withdraw, but would not be able to do this at the point of the pause) and c) there would not be sufficient incentives to withdraw their application (even if the information was published).

3.1.11 Considering Advancement requests, respondents were divided on whether the Pause would have brought forward new or better-informed Advancement requests. A narrow majority agreed that the Pause could be useful for Advancement but expressed views similar to those set out in our Minded-to consultation without additional evidence or rationale, which were that the EA information could allow Users to take more informed decisions with regards to Advancement.

3.1.12 Respondents that disagreed with our intention to approve WACM1 argued that the information published in the EA Register would not be enough to influence Users' decisions on Advancement, and that the time available during the Pause would be too short to make a decision.

3.1.13 Furthermore, other respondents expressed the view that allowing changes to existing requests or bringing forward new Advancement requests as result of WACM1 could provide gaming opportunities. Gaming was identified as a risk since, if the Pause occurred after the Strategic Alignment checks, Users could check if they have been removed from the new queue at which point they would be able to request, or change an existing request for, advancement to try and change this outcome.

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Our view[55]

(a) the efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence

This section provides our analysis of the Original Proposal and WACM1 against ACO (a). We consider that the Original Proposal would better facilitate ACO (a) than the status quo. It would apply the CMP434 Primary Process to the existing connections queue, 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 and NESO guidance will give NESO more autonomy to take a centralised approach to the connections process and so provide more efficient updates. We believe that Elements 1, 3, 9, 11, 13, 16, 19, and 20 will better facilitate ACO (a) than the status quo. Element 10 will have a neutral effect on ACO (a).

Overall, we consider that WACM1 better facilitates ACO (a) when compared to the status quo, but not as well as the Original Proposal. It would have been subject to the same considerations as the Original Proposal listed above, but with the addition of a Pause which would have given applicants information on projects from which to evaluate their own project's prospects. WACM1 may have made the connections process more transparent, but on balance we do not expect it would have led to the optimisation we anticipated in our Minded-to consultation.

Element 1: Proposed Authority approved Methodologies and NESO guidance

3.1.14 We expect Element 1 to better facilitate achievement of ACO (a) for the same reasons set out in the CMP434 decision. These include giving NESO more autonomy, as author of Methodologies, to take a more holistic and centralised approach to the connections process and to provide more efficient updates, if compared to the length of the

[55] The 'Our view' section reflects on the analysis of ACOs (a) to (d) against each Element of the Original Proposal. Our considerations also apply to WACM1, since the alternative shares the same Elements. Any assessment of the additional features introduced by WACM1 against each ACO will be discussed separately after the analysis of the Elements of the Original Proposal.

standard code modification process. However, regarding CMP435 we anticipate an additional benefit compared to CMP434 to be the impact on current CUSC Users.

3.1.15 In line with what has been discussed in the CMP434 decision, locating the Methodologies outside the codes is appropriate and gives NESO more autonomy on decisions in respect of the electricity transmission system. The Methodologies will cover technical aspects of the reformed connections process including readiness criteria and alignment with strategic energy plans, mechanisms to allocate network capacity and queue position, and prioritise projects that bring system benefits. Given the nature of the detail that is in the Methodologies, codification of the Methodologies would be inappropriate. The Methodologies must be in NESO ownership to: enable simplification of the process, reduce as far as possible delays to implement changes that are needed and provide autonomy to NESO to change these (subject to Authority approval) and following the requisite consultation). Therefore, better facilitating the achievement of ACO (a).

3.1.16 We believe that the ability for NESO to manage the content of Methodologies with an adequate level of transparency and industry participation, will enable NESO to discharge their 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.

3.1.17 The implementation of CMP435 and application of the Methodologies will result in the existing queue being streamlined and in so doing, will efficiently focus network build and hence materially improve the rate of connections, leading to a more economic and efficient discharge of obligations.[56] We are approving the general changes to the contracted background through CMP435 because this will set out new obligations on Users, improving the efficiency of the reformed connections process over the status quo.

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

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3.1.18 Considering Workgroup and Panel views about the lack of industry involvement in the formation of the Methodologies and potential that codification leads to a more efficient market design, we requested NESO to consult on the content of Methodologies in their first and future iterations, and this obligation is also present in the proposed licence modifications to implement TMO4+. Furthermore, we expect NESO will continue engagement with industry and stakeholders even outside the governance process surrounding the Methodologies. This will allow optimal levels of engagement and market design and investors views to be considered. The use of Methodologies will allow NESO to act quickly to ensure the effectiveness of TMO4+ reform and to adapt to changing circumstances in the GB energy system.[57]

3.1.19 We have also considered stakeholders concerns that the Methodologies could cause loss of confirmed connection rights for mature projects. We believe this aspect will be mitigated by the protections proposed by NESO in the Gate 2 Criteria Methodology for specific project categories.[58] Overall, we consider that Element 1 will better facilitate achievement of ACO (a), improving NESO's ability to fulfil its obligations to promote an efficient, co-ordinated and economical transmission system.

Element 3: Clarifying which projects go through the Gate 2 to Whole Queue Process (Primary Process)

3.1.20 Element 3 clarifies which projects are in scope of the Primary Process. This process applied to the contracted background will result in greater efficiency for the transmission system compared to the status quo, because it allows NESO and TOs to take a holistic view of the transmission network and batch connections applications. This will therefore better facilitate the achievement of NESO duties in relation to the promotion of an efficient, co-ordinated and economical transmission system.

[57] Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 4: "*Monitoring and Evaluation*".
[58] NESO, *Gate 2 Criteria Methodology*, pages 36-43, and Ofgem, *Decision: Gate 2 Criteria Methodology*, April 2025, in section 3: "*Rationale for our Decision – Theme 1: Calls to extend protections to more advanced projects*".

3.1.21 Furthermore, the existing connections queue will be reorganised and formed by projects that meet readiness criteria and are aligned with strategic plans (ie CP2030 Action Plan), or are otherwise protected. [59] The resulting streamlined connections queue is an improvement over the status quo and will better facilitate NESO's duty to promote an efficient, co-ordinated and economical transmission system. This is the case because a reformed connections queue (as intended in CMP435) made up of projects that are ready and needed will be more manageable, with fewer network reinforcement works needed compared to the current queue. This view is also present in our *TMO4+ Impact Assessment*.[60]

3.1.22 This will ultimately bring system benefits to the electricity transmission system that better facilitate NESO's obligations over the status quo to promote an efficient, co-ordinated and economical transmission system, allowing NESO and TOs to discharge their obligations pertinent to ACO (a). Therefore, we consider Element 3 will better facilitate the achievement of ACO (a) overall.

Element 9: Project Designation

3.1.23 As noted in Element 9 of ACO (a) of the CMP434 decision, the PDM has been separately assessed by the Authority in our decision on the PDM. The legal text notes that EA Requests[61] will be processed in accordance with the PDM. The PDM is seen as a tool to promote an efficient, coordinated and economical system. In reviewing the implications to introduce the PDM, we expect that this element will better facilitate the achievement of ACO (a), because it will provide NESO with an instrument that improves the promotion of an efficient, coordinated and economical transmission system. This is ultimately expected to allow NESO to fulfil its obligations more

[59] We note that NESO has instilled protections for specific categories of projects, as set out in the Gate 2 Criteria Methodology (pages 36-43). This is to avoid unintended consequences that would undermine investors' confidence.
[60] Ofgem, *TMO4+ Impact Assessment*, April 2025, which suggests that the combined connections queue of transmission and distribution networks, following application of readiness and strategic alignment criteria to the existing contracted background could be 296GW (including built capacity, 173GW excluding built capacity), at section 2: "*Appraisal of Impacts – Assessment of applying strategic alignment criteria to the queue*".
[61] Under this modification proposal, these are the requests that projects in scope of CMP435 have to submit to be given the status of Gate 2 Existing Agreements.

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efficiently. Overall, we consider Element 9 will better facilitate achievement of ACO (a).

Element 10. Connection Point and Capacity Reservation

3.1.24 As explained in the CNDM, Reservation is intended to ensure that there is capacity for projects that may otherwise not meet the Gate 2 criteria, including notional projects (for example, where there is undersupply against a CP2030 Action Plan capacity pathway as set out in paragraphs 3.34-3.39 of the *Decision on the Connections Network Design Methodology*). The detailed process of Reservation is explained in the CNDM. However, it is understood that Reservation will be used to protect the integrity of the coordinated network design. This includes being utilised for Interconnectors and Offshore Hybrid Assets (OHAs)[62] 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).[63] Applying Reservation to the contracted background will assure a diverse and more secure energy generation mix is maintained by ensuring the new Gated process does not impede the development of specific technology types . This also reduces the risk that some technologies are undersupplied, because specific projects can progress towards the achievement of Gate 2.[64]

3.1.25 We note the risk that Reservation, if over relied upon, could jeopardise some of the overall benefits of the CMP435 solution. If too much capacity is allocated to Gate 1 projects with Reservation, projects that are ready and needed may not be able to secure the capacity they need (as quickly as they would have done if Element 10 had not formed part of the proposal). That being said, as set out in CMP434, we consider that the presence of the expiry date that will be applied to the Gate 1 offers with

[62] Offshore Hybrid Asset (OHA) is a particular technology that allows offshore wind and interconnectors to work together as a combined asset.
[63] This is covered further in Ofgem, *Decision: Connections Network Design Methodology*, April 2025, in section 3: "*Rationale for our Decision – theme 5: Uncertainty to the about the value of capacity reservation*."
[64] Reservation is further discussed in the Ofgem *Decision: Connections Network Design Methodology*, in section 3: "*Rationale for our Decision – Licence objective 4: facilitate appropriate anticipatory investment*."

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Reservation and NESO proposed annual review of reserved projects will act as a suitable safeguard. We recognise the parameters around the use of the Reservation tool provide NESO with a high degree of discretion as to where to exercise this; however, we expect NESO will use this discretionary tool proportionately to promote and maintain the integrity of an efficient, co-ordinated and economical transmission system. It should be clearly linked to strategic plans and any associated coordinated offshore plans as set out in paragraph 3.1.32 and onward of the CMP434 decision. In the event the Reservation tool is overused or misused, this would detract from its ability to better facilitate the achievement of ACO (a).

3.1.26 In CMP435, we assess this Element to have a net neutral impact on better facilitating the achievement of ACO (a). This is because the status quo would have allowed the connection of projects that would otherwise need Reservation under CMP435 to maintain an efficient and economical system.

3.1.27 Overall, we consider Element 10 will have a net neutral impact on better facilitating the achievement of ACO (a).[65]

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

3.1.28 The features of Element 11 are the same as CMP434, therefore the same considerations discussed in our decision on CMP434 also apply to CMP435.

3.1.29 On Element 11, we consider this can be divided into two components. The first, on setting out the criteria for demonstrating Gate 2 has been achieved (ie the readiness and strategic alignment criteria), is contained within the Gate 2 Criteria Methodology document. This has been separately assessed in our Gate 2 Criteria Methodology decision.

[65] Please note that the assessment of the impact of Element 10 has slightly changed from when we published our Minded-to Consultation of CMP435, for the reasons explained. However, the overall impact of this Element on ACO (a) has not changed.

3.1.30 This being said, there are links and references in the CMP435 legal text to the Gate 2 Criteria Methodology, and the concept of introducing this Methodology is included within CMP435. 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 the CP2030 Action Plan and future strategic energy plans, and in accordance with PDM and CNDM. This will then give NESO, in pursuing 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.

3.1.31 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.

3.1.32 The proposed amendments to Milestone M1 and M3[66] will ensure that existing projects that meet Gate 2 do not hold capacity if they are not progressing. As set out in CMP434, these amendments will allow NESO to assign network capacity more effectively as projects which meet Gate 2 are incentivised to actively progress through the project development life cycle to avoid risk of termination. We expect that applying the requirements for ongoing compliance to the existing contracted background will have greater benefits than CMP434 alone could, because this will also apply to any existing projects in scope that would receive a Gate 2 modification offer (ie the cumulative effect of approving CMP435 can increase the benefits). These aspects of the proposal will better facilitate NESO's obligations over the status quo to promote an efficient, co-ordinated and economical transmission system, therefore better facilitating the achievement of ACO (a).

[66] Queue Milestone M1 is initiated statutory consents and planning permission. Milestone M3 is secure land rights. For more detail see *Guidance for the Queue Management process for Transmission Customers*.

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3.1.33 We recognise that some stakeholders believed that the gated process set out in the Original Proposal of CMP435 focusing on land rights could not be uniformly applicable. Similar views about using land rights as a metric for readiness have been discussed in the Overarching document[67] and our *Decision: Gate 2 Criteria Methodology*.[68] Focusing on the merit that this milestone has in CMP435, we consider that ensuring that projects have sufficient acreage to install the requested capacity is a good indication of project commitment that most contracted and new projects will be able to demonstrate. Furthermore, the land right control is reinforced by the requirements imposed on the ORLB provisions to demonstrate sufficient acreage for the project at each queue management milestone. We expect that this would incentivise projects to progress with minimal changes and would maintain a more viable connections queue.

3.1.34 Overall, we consider Element 11 will better facilitate achievement of ACO (a).

Element 13: Gate 2 Criteria Evidence Assessment

3.1.35 Some of the features of Element 13 in CMP435 are the same as CMP434, therefore the same considerations discussed in our decision on CMP434 about those features also apply to CMP435. This means that the introduction of Gate 2 declaration checks is seen as a positive step to ensure that projects showing a sufficient level of readiness are given the opportunity to receive a Gate 2 Modification Offer.[69]

3.1.36 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 readiness declaration form and the ability for NESO and DNO/iDNOs to check the associated

[67] *Ofgem, Summary Decision Document: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment*, April 2025, in section 7: *Summary of our analysis and responses to consultation responses – Connections Methodologies (Q10)*".
[68] Ofgem, *Decision: Gate 2 Criteria Methodology*, April 2025, in section 3: "*Rationale for our Decision – Theme 2: lack of objectivity in using land and planning milestones*".
[69] This is the equivalent of a Gate 2 offer under CMP434, which applies to existing agreement that have submitted an existing agreement request. Under CMP435, eligible existing agreements will be converted to the equivalent of Gate 2 offers via modification application process.

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evidence follows a process similar to the baseline: evidence is being assessed by actors in each case in order to secure a connection offer.

3.1.37 The duplication checks, on the other hand, are expected to better facilitate achievement of ACO (a) than the status quo as this will oblige 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 in the degree to which the land they have acquired for the project is allowed to differ from what was specified in the ORLB contained in their Readiness Declaration 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.

3.1.38 Furthermore, existing projects can also request an advanced connection date or reduce the network capacity of projects (these are additional features of Element 13 only applicable to CMP435), so that projects that have not sufficiently met the requirements for all the network capacity they originally contracted for, will have an opportunity to be assessed to obtain a Gate 2 Modification Offer at a reduced capacity. These aspects are seen as a positive improvement compared to the status quo since this makes the connections process more efficient and will assist NESO in promoting a more efficient, co-ordinated and economical transmission system that enables faster connections. We expect an improved efficiency because customers that can connect faster than the date previously agreed in the existing contract can propose, and potentially obtain, an earlier date.

3.1.39 Additionally, projects that do not meet the requirements for the capacity originally contracted for can apply for capacity reduction (therefore using less network capacity) and progress towards energisation for the land acquisition they have invested in as

evidenced in the Gate 2 declaration. In the absence of this feature, existing Users needed to provide evidence for the full capacity they contracted to meet the Gate 2 criteria, otherwise they would be given a Gate 1 offer. However, CMP435 gives Users an opportunity to reduce network capacity, and if they have secured evidence only for part of that capacity Users won't risk receiving a Gate 1 offer. Overall, the resulting reduced capacity facilitates efficiency in the transmission system equally to what the status quo allows (since under the status quo Users can reduce TEC via a modification application). In this way, under CMP435, network companies do not have to plan for all the capacity originally contracted, if the User decides to reduce capacity and meet Gate 2.

3.1.40 We acknowledge the view that advancement requests could be made 'blind' because the outcome of the request is unknown. We do not expect this fact to be particularly detrimental for Users because, as described in the CNDM, we consider that the Users requesting advancement would have the possibility to let the offer lapse or request a reoffer, so that the request is not deemed to be accepted automatically. Furthermore, NESO and TOs would assess the feasibility of such requests from a network perspective aiming to avoid any potential detriment to Users. Therefore, contributing to maintaining an efficient transmission system.

3.1.41 In light of the above considerations, on balance we see Element 13 as better facilitating the achievement of ACO (a) compared to the status quo.

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

3.1.42 The CNDM has been separately assessed by the Authority in *Decision: Connections Network Design Methodology*. We consider Element 16 of CMP435 mirrors the impact of that of Element 16 of CMP434, although we recognise that in CMP435 the scale of impact could be larger given the size of the existing contracted background. There are links and references in the CMP435 legal text to the CNDM, and the concept of NESO processing EA Requests (that have met the Gate 2 Criteria) in accordance with this

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Methodology is included within CMP435. 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.

3.1.43 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 EA Requests (that have met the Gate 2 Criteria) being processed in accordance with the CNDM, we consider Element 16 will better facilitate achievement of ACO (a) compared to the status quo.

Element 19: Contractual changes

3.1.44 Element 19 covers the contractual changes for the projects in scope of CMP435.[70] It classifies customer categories that will be subject to contractual changes; explains what Users, NESO and DNOs will need to do; and specifies the implications for Users.

3.1.45 This Element will ensure that the scope of the Primary Process is maximised for the existing contracted background, allowing NESO to take the most holistic view possible of the electricity transmission system. This allows the connections queue to be readjusted based on readiness and alignment with strategic plans such as CP2030 Action Plan and for TOs to undertake batched assessments to enable further optimisation of the queue.

3.1.46 We see this Element as essential to finalise the outcome of the 'Gate 2 to Whole Queue process' and enable the benefits for the projects in scope, allowing customers to have contractual positions based on the checks and requirements put in place by

[70] Contractual changes relative to the relationship between embedded generators and their respective DNOs are not in scope of CMP435.

other elements of CMPs 434 & 435. This means that only the Users that meet the Gate 2 criteria will receive the status of Gate 2 existing agreements, therefore receiving confirmed connection date and connection point. The necessary construction works will be assessed in batch by TOs and all these elements of the connection offer will be reflected in the new contractual position. In turn, spare network capacity and reinforcement works will be reallocated according to the criteria set out in the Connections Methodologies (ie not based on a first-come, first-served basis, as would be the case under the status quo).

3.1.47 For these reasons, we expect this element to better facilitate the achievement of ACO (a) because it will enable NESO and network companies to promote, maintain and develop an efficient, coordinated and economical transmission system, through a one-off exercise that will streamline the connections queue. This is an improvement over the status quo, where every connection agreement contains a confirmed connection date and point, indicating the necessary construction works.[71] This is the case even if the project is not developed enough, though projects are eventually terminated if they do not meet their project progression milestones accordingly.

3.1.48 We have considered the Workgroup and Panel views about the lack of detailed debate on the impact on costs. Under CMP435, an EA Request will be treated as Modification Application. Under the status quo, a Modification Application requires Users to pay a fee. The legal text of CMP435 ensures that contracted projects will not require Users to pay an application fee to submit their EA Request. However existing projects requesting Advancement and or capacity termination are subject to pay fees, application fee (for Advancement) and termination charge (for capacity termination). We agree with stakeholder views that NESO must provide clarity on how Advancement fees will be calculated.

3.1.49 Our assessment of the wider costs implications is present in the Overarching document. This assessment shows that the main impact on costs resulting from

[71] Ofgem, *TMO4+ Impact Assessment*, April 2025, in section 2: "*Appraisal of Impacts – Data Sensitivity Check – Regen – Conclusion*".

TMO4+ is associated to abortive costs incurred by network companies that may need to be recovered, especially in the absence of securities that have been returned to Users that receive the status of Gate 1 EA.[72] Ofgem recognises the importance of monitoring abortive costs and putting in place mitigation measures to protect consumers. In our view, the costs associated with the 'Gate 2 to Whole Queue process' are outweighed by benefits of improving the efficiency of network planning and build, resulting in lower costs compared to the status quo. Overall, we consider Element 19 will better facilitate the achievement of ACO (a).[73]

Element 20: Transitional Arrangements and Cutover Arrangements

3.1.50 Element 20 solely covers cutover arrangements; transitional arrangements are considered beyond the scope of CMP435, although in the FMR of CMP435 NESO recognises their importance in order to migrate into the new reform process. NESO has sent two letters to Ofgem covering Phase 1 and Phase 2 of transitional arrangements.[74] Transitional arrangements refer to the type of connections offers that have been issued in the period between 2 September 2024 (as directed by the Authority under Phase 1) and the Authority's decision on the TMO4+ reform package. They are designed to bridge the gap in the period preceding the Authority decision, to allow NESO and TOs to migrate into the reformed connection process. Transitional offers provide a lighter touch offer with only an indicative connection date and location. As part of CMP435 cut over arrangements, NESO has proposed a cut-off date, which is a non-calendar date suggested as a new definition in Section 11 of the CUSC and defined as 'EA Cut Off Date'. The legal text of CMP435 sets this period at 23:59 on the date before the CMP435 Implementation Date.

[72] Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "*Appraisal of Impacts – Risk of abortive network works*" and Ofgem *Summary Decision Document: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment*, April 2025, section 6: "*Impacts, Benefits, Costs – Costs*".
[73] Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "*Appraisal of Impacts – Cost of "Gate 2 to whole queue" exercise*".
[74] Phase 1: *Decision on Joint Direction and Letter of Comfort requests on Transitional Arrangements for new connection applications*. Phase 2: *Decision on joint direction and Letter of Comfort requests on cut-over arrangements for new connection applications*.

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3.1.51 The cut-off date will ensure efficiency and coordination across the transmission network as it is clear to connection customers what process applies to them (either CMP435 or CMP434), therefore facilitating NESO's obligations to promote an efficient, co-ordinated and economical transmission system. This is the case because Users that have submitted their applications by the cut-off date will know that they will be treated as an EA. This date ensures consistency and smooth transition into the enduring connection reform process, better facilitating NESO's obligation pertinent to ACO (a).

3.1.52 Overall, we consider Element 20 will better facilitate the achievement of ACO (a).

WACM1: Introduction of a pause for market self-regulation before the NESO and the Transmission Operators (TOs) undertake the network assessment

3.1.53 WACM1 shares the same Elements as described in the Original Proposal above, and in addition it introduces a pause for applicants to review information about the status of other projects published by NESO in an EA Register.

3.1.54 All the considerations made in the Original Proposal in relation to ACO (a) apply to WACM1. This alternative proposes to publish specific information on projects that have met Gate 2 at a chosen point in the application assessment process (connection point, completion date, installed capacity and technology type); and have a pause during which existing contracted Users can update their decisions about the EA request or withdraw their application. 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 took 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). That being said, we consider that WACM1 will better facilitate ACO (a) than the status quo, but not as well as Original Proposal.

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3.1.55 In our Minded to consultation published on 14 February 2025, we expected that the EA Register and associated EA information could deliver benefits to existing connections applicants, giving them the best information on projects that had passed initial Gate 2 Compliance checks and allowing Users to evaluate their own project's prospects in light of this. Assuming project developers would have made opportune choices about their applications, we expected NESO and Transmission Owners would have had a more robust basis to process the batched applications and create connection offers. This would have better facilitated ACO (a) because a more reliable connections queue was expected to improve the efficiency of the transmission system and the optimisation of connection assets costs. However, we noted that the benefit in impact of WACM1 would be dependent on User behaviour in response to the publication of the EA Register.

3.1.56 The following paragraphs will provide an overview of how our rationale around WACM1 has changed in light of the evidence provided by respondents to our Minded-to consultation.

3.1.57 After seeking views on the perceived effect that the Pause would have on Users, we understand that the information that would be made available through the EA Register at the time of the Pause is not considered as being likely to provide a strong enough incentive to withdraw. Therefore, following stakeholder feedback, we consider it unlikely that the expected benefits of WACM1 would occur to the extent initially envisaged were this option approved. This is for the reasons explained in paragraph 3.1.10. This weakens WACM1's likelihood of better facilitating the achievement of ACO (a) against the Original Proposal, especially when weighed up alongside the delay to issuing connections offers that the Pause would have brought. We agree with respondents' views that a connection offer is valued by Users, particularly because connections reform raises the entry requirements (something that the Original Proposal sufficiently achieves) and that Users may be less inclined to withdraw as a result.

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3.1.58 Some respondents believed the Pause could have offered opportunity for gaming – we are less persuaded by this. As all Users who met the Gate 2 Criteria would have been subject to queue management milestones based on the new advanced dates, anyone who attempted to 'game' the Pause by putting an unachievable date would have risked termination of their project if those milestones were missed. That being said, we recognise that WACM1 could introduce a gaming risk, albeit a minor one and only in the event the Pause took place *after* strategic alignment checks, which contributes to making this alternative less favourable against the achievement of ACO (a) compared to Original Proposal and the status quo.

3.1.59 We also recognise the impact that WACM1 would have had on the implementation timing. The introduction of a Pause would have added a small amount of additional time to the timescale for all offers to be reissued. In light of stakeholder views following our Minded-to consultation, the trade-off on implementation timescales is not as worthwhile as we expected, as our perceived benefits of the Pause seem unlikely to materialise. This is because we have reason to believe that the information published in the EA Register is unlikely to incentivise the behaviour change we originally anticipated. Nonetheless, we expect a clear implementation plan to issue connections offers shortly after our decision, which should be addressed by NESO and network companies.

3.1.60 Considering Advancement requests, and in light of the responses to our Minded-to consultation, we have concluded that the likelihood of Users amending existing or making new Advancement requests in response to the EA Register is as high as initially considered. We have not seen robust supporting evidence that the EA Register and associated EA information would influence User behaviour on Advancement requests.

3.1.61 We agree with respondents' views that the time available in the Pause may not have been sufficient for projects to decide whether to make a different choice on Advancement. We also acknowledge that if the Pause occurred after NESO has applied strategic alignment checks against EA requests (using CP2030 Action Plan), there

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could be a negative impact on the achievement of ACO (a). This is because, if Users made Advancement request following the Pause, NESO would have considered those for the purpose of meeting strategic alignment and establishing queue position. This means that NESO would have assessed EA applications against strategic alignment twice, bringing additional complexity and inefficiency in the transmission system and a potentially disproportionate delay to an already constrained timeline to issue offers.

3.1.62 Finally, we have considered the strong support Users expressed to have project data information published per WACM1, as this improves transparency in the connections process. Therefore, we expect NESO to still publish the project information that WACM1 would have published if it had been approved, and as promptly as possible. This can be achieved independently by NESO and without the need for a code modification.

3.1.63 On balance, we therefore consider the Original Proposal is likely to better facilitate achievement of ACO (a) than WACM1 and the status quo.

(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 Views

3.2.1 The Original Proposal[75] and WACM1[76] were both considered to better facilitate the achievement of ACO (b) by most workgroup and panel members.

3.2.2 A concern raised regarding both proposals was that the impact of the final package of CMP435, Methodologies, and financial instruments had not been properly assessed by the workgroup so that it was not clear whether the proposals will harm viable and

75 With 25 positive, 5 negative and 4 neutral votes.
76 With 23 positive, 5 negative and 6 neutral votes.

needed projects' ability to proceed. This concern has been addressed as part of our analysis of ACO (b) under Element 1.

3.2.3 With regards to the Original Proposal specifically, views expressed in support believed that it would better facilitate the achievement of ACO (b) by providing the foundation of the new process, which by allowing the queue to be made up of readier and more viable projects which can connect more quickly, facilitated effective competition in the generation and supply of electricity. Another workgroup member was of the view that this would also introduce positive additional competitive pressures to developers to progress more quickly. In terms of more negative feedback, a general lack of clarity regarding various aspects of the Proposal was a common theme in responses. For instance, members thought that the processes to seek advancement, and reduction of installed capacity in order to meet Gate 2 needed to be further clarified (we addressed this concern in ACO (b) under Element 13). In addition, the view was expressed that the timings for the 'Gate 2 to Whole Queue process' were not clear, bringing uncertainty and challenge to developers trying to navigate this new process (this concern is covered in ACO (b) under Element 3.

3.2.4 Another common theme in responses were criticisms relating to the lack of fairness caused by the Original Proposal. This was seen as being caused by strategic alignment which could unfairly advantage certain projects, or that Capacity Reservation and Project Designation were inherently unfair concepts.[77] Another view was that not enough consideration had been given to project types which do not fit into categories. By way of example, projects with multiple technologies were viewed as lacking clarity for how they would meet the Gate 2 criteria. Furthermore, a lack of codification was seen by one as unfairly raising the entry requirements through complexity, and the charging of Users for the application fee for advancement was seen as unfair (we covered this under Element 13 of ACO (b)).

[77] We note that strategic alignment and an assessment of fairness of Projects Designations are beyond the scope of this modification proposal. Our view about how Reservation is needed to remove unfairness is provided in ACO (b) under Element 10.

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3.2.5 This lack of fairness was strongly expressed with regard to embedded projects. This was because of their reliance on DNOs to submit their project progression to the NESO or their inability to use their original acceptance from the DNO for the project reference. Another view was that DNOs should be able to assign embedded generation projects in their region with equal criteria to transmission whereas one response viewed the extra administrative burden of the new process as unfairly difficult on small projects (of which most are likely to be embedded ones). However, on the contrary, one view was that embedded projects had been unfairly advantaged by transitional arrangements[78] as directly connected projects would receive transitional offers whilst embedded projects would receive a full offer.[79]

3.2.6 Other views regarding the transitional arrangements period[80] were that it was too short which could damage the viability of otherwise sound projects should they attempt to secure compliant land agreements when the requirements are further modified. We believe that transitional arrangements are beyond the scope of this modification.[81] However, we cover the perceived unfairness regarding embedded generation further below in ACO (b), under Element 3.

3.2.7 There were concerns about how the Proposal would affect investment. One view was that smaller developers were at risk of making financial investments to secure legal agreements ahead of Gate 2 by Q2 2025 for an area that was oversubscribed. While another saw the long-term benefits on competition but thought that the Original Proposal may have a short term negative effect on investment during implementation since it will potentially pause projects investment for 12 months.

3.2.8 With regards to WACM1, one workgroup member was of the view that WACM1 might have limited value for competition, but this was outweighed by the increased time and complexity added. Furthermore, the view was expressed that there needs to be greater clarity on WACM1 regarding the process for embedded projects and that

[78] See a description of transitional arrangements provided in paragraph 3.1.49 of this decision.
[79] As set out in our 'Ofgem Transitional Arrangements Decision' letter, published on 21 August 2024.
[80] See a description of the transitional arrangements period provided in paragraph 3.1.50 of this decision.
[81] As confirmed in the CMP435 FMR at pg.79: "[…] *Transitional Arrangements* […] *is out of scope for CMP435* […]".

WACM1 did not provide enough information to properly inform customers, thus risking uninformed decision making.

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 the Pause, EA Register and ability to self-regulate would be beneficial to Users in facilitating greater competition, but most argued against this.

3.2.10 However, the prevailing view was that the Register did not contain enough material information upon which to make a decision, that it would cost developers a lot of resource to reach Gate 2, and that they gained very little by withdrawing at that point. Further, the whole process and timings were seen as unclear which further undermined 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. Delays to the assessment process were seen as too large for such little benefit gained. Considering interactions between WACM1 and Advancement requests, the same gaming risk described in ACO (a) was also considered by some respondents to be applicable to this ACO.

Our view

(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

This section provides our analysis of the Original Proposal and WACM1 against ACO (b). We consider that the Original Proposal would better facilitate ACO (b) than the status quo. It will bring most of the existing contracted background into the Primary Process and thus apply the same standards for all connection customers – which would be beneficial for competition. It could also accelerate connections for a Gate 2 eligible project by removing those in the

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existing queue who cannot meet the Gate 2 Criteria. We believe that Elements 1, 3, 11 and 19 would better facilitate ACO (b) than the status quo. Elements 9, 10, 16, and 20 would have a neutral effect, and Element 13 would negatively impact ACO (b). Overall, we consider that WACM1 better facilitates ACO (b) when compared to the status quo, but the Original Proposal slightly better facilitates ACO(b) than WACM1. WACM1 has the same benefits as the Original Proposal, and adds greater transparency for customers when utilising the Pause, but it is unlikely to lead to more competitive decisions made by Users, as we had anticipated in our Minded-to consultation.

Element 1: Proposed Authority approved Methodologies and NESO guidance

3.2.11 Considering Element 1, the same analysis and considerations made for ACO (b) under CMP434 will apply for CMP435 (which is summarised in the paragraphs below), with the additional consideration that CMP435 increases the scale of projects impacted, since it applies to the contracted background in scope. Therefore, we consider it is appropriate for the Methodologies to not be codified, as this provides greater autonomy to NESO, which is suitable given NESO's role and responsibilities with regard to ACO (b)[82]. Given the contents of the Methodology documents, it is right that the Methodologies themselves are authored by NESO, so that it may make the right decisions for the connections process as and when needed.

3.2.12 The adoption of Methodologies (with NESO as author) will be a means of securing more efficient updates to the connections process in future, such that connections customers and consumers ultimately see the benefits of any subsequent updates more efficiently. This can positively benefit competition, since Element 1 will reduce as far as possible the delay between a change to the connections process being identified as needed, and that change being implemented.

[82] For further details on the governance process around methodologies and NESO obligations see *Ofgem, Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions,* April 2025.

3.2.13 We considered stakeholders' views that the impact of the Methodologies is unknown and could affect the viability of projects. We recognise this concern was expressed before the Connections Methodologies were published and we expect that following their publication their impact is now clear. Our overarching assessment of the broader package of reform's impact on competition is set out in *TMO4+ Impact Assessment*. Additionally, NESO will take a reasonable approach that considers protections for existing Users to minimise the impact on project viability, by granting protections as proposed in the Gate 2 Criteria Methodology for specific project categories. We also expect that the Methodologies will ensure that the Gate 2 Queue is made up of the most viable projects to achieve GB net zero ambitions, while maintaining a competitive and diverse energy mix.

3.2.14 Therefore, we consider Element 1 will be likely to have a positive impact on better facilitating the achievement of ACO (b).

Element 3: Clarifying which projects go through the Gate 2 to Whole Queue Process (Primary Process)

3.2.15 We expect that setting out the projects that are in scope of CMP435 better facilitates competition for the reasons set out in the paragraphs below. However, we also acknowledge that projects in scope of CMP435 can only apply once within the EA Request Window to have their applications assessed against the Gate 2 Criteria (although they can apply to future Gate 2 windows following the process set out in CMP434). It could be argued this could harm competition if an existing project fails to submit its request by the deadline of the EA Request Window, as they will receive a Gate 1 Offer, which would likely be considered worse compared to their position under the status quo. We also expect that Users with greater resources may be less affected by the windowed approach to applications as they can engage more resource to meet the relevant deadlines.

3.2.16 However, we consider that applying the Primary Process (from CMP434) to the existing contracted background – and specifically to the categories of project

identified as being in scope of the reforms – will have an overall net positive impact on ACO (b). This is because this will elevate competition standards for new and existing Users.[83] We consider this is a likely consequence of the raising of the entry requirements to the connections process and is appropriate, proportionate and conducive to better facilitating greater competition amongst connection customers. We consider on balance this will provide EA with suitable opportunity to benefit from the Primary Process during the 'Gate 2 to Whole Queue process' (those that are able to demonstrate the elevated standards of competition via Gate 2 Criteria), whilst simultaneously offering appropriate safeguards (ie receiving a Gate 1 offer).

3.2.17 Additionally, it is possible for generation projects that meet the Gate 2 Criteria to connect faster than under the status quo, for two reasons:

- Firstly, due to the removal of reinforcement works originally planned for projects that are expected to become Gate 1 EA projects.[84] This is the case if the connection of Gate 2 EA projects was dependent on reinforcement works that are no longer necessary – better facilitating competition in the generation and supply of electricity. Furthermore, it will ensure that more projects are more likely to be able to connect earlier than would be the case under CMP434 alone, since projects under CMP434 can fill the network capacity gaps created through CMP435's 'Gate 2 to Whole Queue process'.
- Secondly, due to the possibility to apply for advancement during the 'Gate 2 to Whole Queue process' (as is explored further on Element 13 below).

3.2.18 We acknowledge stakeholders' views that the timings of the 'Gate 2 to whole Queue process' were not clear. NESO will publish the EA timetable and the Readiness Declaration guidance shortly after this decision, which should provide further clarification on the process and timeline.

[83] As set out in Ofgem, *TMO4+ Impact Assessment*, April 2025 section 2: "*Appraisal of Impacts – Other Statutory Duties – Competition*".
[84] As set out in Ofgem, *TMO4+ Impact Assessment*, April 2025 section 2: "*Appraisal of Impacts – Impact on Network Build*", which suggests that approximately £5bn of non-attributable reinforcement works could be avoided.

3.2.19 We disagree with stakeholders' views that embedded generation projects may be unfairly treated under CMP435. We consider that existing embedded generation projects of any technology that meet the Gate 2 criteria and trigger reinforcement works at transmission level, will not be unfairly impacted because they will be in scope of CMP435. Moreover, existing embedded projects that do not meet Gate 2 criteria will be treated in line with the Gate 1 Offer process at transmission. To this extent DNOs have established the concept of 'Distribution Gate 1'.[85] Overall, competition in the generation and supply of electricity should improve because more embedded generation projects reliant on transmission level reinforcements can connect faster. This is because other reinforcement works planned ahead of the reinforcements for such embedded generation projects may no longer be required due to projects not meeting Gate 2 Criteria.

3.2.20 We acknowledge the view that some embedded generation projects may feel unfairly treated in CMP435 because their connections offers will be processed according to when DNOs have submitted Project Progression to NESO. This concern is not directly related to CMP435 and its assessment related to ACO (b), but it has been discussed in our Decision on the CNDM, since it covers the technical aspect of how network companies will process connections offers.[86]

3.2.21 Overall, we consider Element 3 will have a net positive impact as regards the better facilitation of the achievement of ACO (b).

Element 9: Project Designation

3.2.22 Our CMP434 decision on ACO (b) of Element 9 is also applicable to Element 9 of CMP435. The only difference is on the scale of projects that NESO can designate compared to what NESO could do with new projects under CMP434 alone, because

[85] For further detail about this process see *Summary Decision Document: TMO4+ Connections Reform Proposals – Code Modifications, Methodologies & Impact Assessment*, section 3: "*Target Model Option 4+ – TMO4+ at distribution*".
[86] Ofgem, *Decision: Connection Network Design Methodology*, April 2025, section 3: "*Rationale for our Decision – Theme 3: the metric to determine queue order for embedded projects*."

Element 9's presence on CMP435 permits the designation of existing projects; albeit there is a reduced number of categories that can be designated in the 'Gate 2 to Whole Queue' exercise.

3.2.23 In reviewing the implications of introducing this Methodology, we consider Element 9 ought to have a neutral impact on the achievement of ACO (b) than the status quo.[87] This is on the basis that this Methodology 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.

Element 10: Connection Point and Capacity Reservation

3.2.24 We expect Reservation, if used sparingly, to equally facilitate effective competition. Our analysis in the CMP434 decision on ACO (b) of Element 10 is also applicable to Element 10 of CMP435. Reservation can ensure that projects which otherwise could find themselves indirectly disadvantaged in the gated connections process (eg interconnectors and OHAs, due to the nuances of acquiring an offshore lease) remain able to competitively seek a Gate 2 Offer. The inclusion of such projects ensures the timely connection of projects to enable an efficient and operable GB energy mix, supporting security of supply would.

3.2.25 That being said, in CMP435 we expect this Element to have a net neutral impact on better facilitating the achievement of ACO (a).[88] This is because the status quo would have allowed the connection of projects, that would otherwise need Reservation under

[87] Note, Ofgem have set the Project Designation Methodology an objective to facilitate innovation and competition in electricity markets through licence conditions. As set out in our *Decision: Project Designation Methodology* (from 3.59 onwards) it is a tool that can foster innovation and will provide a structured and transparent framework for issuing a Notice for specific system needs and assessing projects against those needs to determine whether they can be designated.
[88] Please note that the assessment of the impact of Element 10 has slightly changed from when we published our Minded-to Consultation of CMP435, for the reasons explained. However, the overall impact of this Element on ACO (b) has not changed.

CMP435, to maintain an efficient and economical system. Therefore, we consider Element 10 to have neutral impact on the achievement of ACO (b).

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

3.2.26 Our CMP434 decision on ACO (b) of Element 11 is also applicable to Element 11 of CMP435. We note however that for CMP434 we are considering the impact of applying the criteria to the existing contracted background in scope.

3.2.27 We anticipate that Element 11 will better facilitate the achievement of ACO (b) based on the contracted projects that are readier and compete for a rationalised network capacity build which is aligned with CP2030 Action Plan and net zero ambitions. An existing connection pipeline dictated by these criteria will be more competitive and should better facilitate the achievement of ACO(b)[89]. A streamlined connection queue allows projects which are able, to connect faster and generate electricity sooner, which we consider will lower consumer bills through cheaper generation, and reduced system costs - both through avoided network build and anticipated reduction in constraint costs.

3.2.28 Further, we disagree with some Minded-to 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.[90]

3.2.29 Overall, we consider Element 11 will better facilitate the achievement of ACO (b).

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[89] Ofgem *TMO4+ Impact Assessment,* section 2: "*Appraisal of Impacts – Other statutory duties – Competition*".
[90] We expect the majority of projects to evidence meeting Gate 2 Readiness Criteria through demonstrating they have obtained land rights; however, there is an alternative for NSIP projects that need to follow the Development Consent Order (DCO) process to demonstrate Readiness through submission of the DCO application. We are satisfied the Planning Inspectorate's acceptance of a submission for development consent is commensurate with land rights in those scenarios. Our Decision on the *Gate 2 Criteria Methodology* considers consultation responses on the treatment of NSIPs in the context of Protection Clauses from paragraph 3.24 onwards and makes a recommended for NESO to ensure that NSIPs that have submitted planning consent on or before 20 December 2024 and receive consent after the closure of the CMP435 application window, receive Gate 2 terms in a future CMP434 window, irrespective of permitted capacities limits in the CP2030 Action Plan.

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Element 13: Gate 2 Criteria Evidence Assessment

3.2.30 We expect Element 13 to potentially inhibit the achievement of ACO (b) if applied to the existing contracted background, compared to the status quo.

3.2.31 This is because not all Readiness Declarations will be verified by a single actor (both NESO and DNOs/iDNOs will be involved) and the legal text sets out the obligation is to use "*reasonable endeavours*" to undertake a more detailed check. It is foreseeable that, given there are different organisations carrying out the more detailed check, these will have different levels of resource and ability to carry out the checks. The scale of this risk is amplified in CMP435 when compared to CMP434 because it is applied to the existing contracted background, therefore the totality of projects that will be evaluated to differing degrees of '*reasonable endeavours*' is magnified.

3.2.32 The possibility of requesting Advancement or reducing the network capacity of projects, which are additional features of Element 13 only applicable to CMP435, is seen as a positive improvement to the status quo since this improves competition in the connections process. Advancement requests will allow existing Users to connect earlier than the date in their original agreement.

3.2.33 The other component of Element 13, a request to reduce network capacity compared to the original connection application, will help to maintain the facilitation of effective competition compared to the status quo, because the possibility of network capacity reduction will allow some projects to achieve Gate 2 status and connect faster, providing that they can demonstrate they meet Gate 2 requirements for the capacity that has not been reduced. To be clear, this component of Element 13 is necessary as if it was absent in CMP435, projects that did not secure the required readiness evidence for all the capacity originally contracted would not be able to meet Gate 2 and would therefore be unable to move to Gate 2. This feature instead is present so that existing projects can reduce the capacity for which they have no evidence and apply for Gate 2, without suffering detriment. Therefore, this component of Element 13 protects existing Users. However, despite these positive aspects there is still a risk

that not all developers are held to same standard through the evaluation of Readiness Declarations as outlined above, posing an overall risk for competition. We will work closely with external stakeholders to ensure consistency of approach, clear timelines that all parties adhere to, and transparent communication with wider stakeholders.

3.2.34 We also acknowledge stakeholder views that the process of requesting Advancement was unclear at the time CMP435 was developed and that an Advancement fee was perceived unfair. The Advancement process is detailed in the CNDM which has been finalised after the FMR of CMP435 has been submitted for Ofgem decision. However, because the CNDM has been published and consulted on, we expect that stakeholders that had those concerns previously will now have more clarity on this process, such that these concerns no longer apply. We disagree with the view that Advancement fees are unfair, since the Advancement request will require additional work for TOs to re-study the connection offer, therefore it is reasonable to charge for this process. However, as set out in Element 19 of ACO (a), we expect NESO to provide clarity around the calculation of this fee.

3.2.35 In light of the benefits and downsides analysed above, overall we consider Element 13 to not better facilitate achievement of ACO (b), albeit we think this can be mitigated through implementation coordination and governance.

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

3.2.36 Our CMP434 decision on ACO (b) of Element 16 is also applicable to Element 16 of CMP435 (although we recognise that scale of the impact is greater because it is applied to the existing contracted background in scope). Despite the CNDM concept introduced in CMP435 creating a transparent framework to process connections offers and queue position, it is not expected to positively or negatively impact on facilitating the achievement of ACO (b). This is because under the status quo NESO and TOs are still required to liaise with one another to create connection offers for customers. We

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therefore consider Element 16 to have a neutral impact on better facilitating the achievement of ACO (b).

Element 19: Contractual changes

3.2.37 The variation of contracts to a Gate 1 offer may appear to have a negative impact on competition. This is because those contracts will have indicative connection dates and locations, with no queue position or allocated capacity. However, given the current problems around delivery of connections caused in part by the size of the queue, this impact is less compared to the status quo than it might first appear.

3.2.38 On the other hand, we consider that competition is improved because those that receive a Gate 2 modification offer and have a confirmed position in the queue will have much greater certainty about delivery.[91] Following contractual changes, we expect a material improvement in the rate of connections compared to the status quo. This results in competition being better facilitated as faster connections would result in electricity being generated sooner than anticipated.[92]

3.2.39 We also expect that network companies will act promptly and process EA Requests within the expected timeline and in line with the new obligations which apply. Furthermore, customers that receive a Gate 1 Offer can apply for a Gate 2 Offer in future applications windows, thereby encouraging parties to develop ready projects to compete in these future windows. A streamlined queue will enable faster connections that facilitate competition as explained in Element 11.

3.2.40 Overall, we consider Element 19 to have a positive impact on the better facilitation of achievement of ACO (b).

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[91] As set out in Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "*Appraisal of Impacts – Other statutory duties – Competition*".
[92] As set out in Ofgem, *TMO4+ Impact Assessment*, April 2025 section 2: "*Appraisal of Impacts – Impact on network build and connection dates – Overview*". We consider a rationalisation of the connection queue is needed to expand rate of connections, at section 2: "*Appraisal of Impacts – Wider Impacts – Impacts on investor confidence*".

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Element 20: Transitional Arrangements and Cutover Arrangements

3.2.41 We expect Element 20 will have a neutral impact on ACO (b). Having a cutover date will not affect competition if EA continue to be processed without detriment to any technology. It will be beneficial from an administrative point of view for finality as to when projects cease to be considered EA and the rules for the process set out in CMP434 apply.

WACM1: Introduction of a pause for market self-regulation before NESO and the Transmission Operators (TOs) undertake the network assessment

3.2.42 We consider that WACM1 will better facilitate the achievement of ACO (b) than the status quo, but not as well as the Original Proposal. We would expect that the publication of EA information will lead to greater transparency in the connections process and equip existing Users with the best data available to make the most informed decisions.

3.2.43 However, a common view in response to our Minded-to consultation indicates that the ability to see the EA information alone is insufficient to influence developers on withdrawals or Advancement requests. This is for the reasons set out above at WACM1 of ACO (a).

3.2.44 Considering Advancement, as described above at ACO (a), there would be a remote potential for gaming opportunities in the event the Pause occurred after strategic alignment checks. If this were to have occurred, this could have posed a risk of anticompetitive behaviour, therefore negatively impacting ACO (b). Our updated assessment is that, irrespective of the point in time when the Pause would have taken place, we are no longer of the view that WACM1 would better facilitate the achievement of ACO (b) compared to the Original Proposal.

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(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 for the majority of Panel and Workgroup members[93], as well as respondents to the CAC, their view was that the Original Proposal and WACM1 were neutral as regards better facilitating the achievement of ACO (c) than the status quo.

Minded-to consultation views relevant to ACO (c)

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

Our view

3.3.3 We are of the view that both the Original Proposal and WACM1 have a neutral impact on ACO (c) since neither proposal appears to affect compliance with the Electricity Regulation or any Relevant Legally Binding Decisions of the European Commission and/or the Agency.[94]

(d) promoting efficiency in the implementation and administration of the CUSC arrangements

Workgroup and Panel Views

3.4.1 Both the Original Proposal[95] and WACM1[96] were seen by the majority of workgroup and Panel members as better facilitating ACO (d) with regard to administration of the

[93] The Original received 30 neutral, 2 positive and 2 negative votes against ACO (c) and WACM1 received 31 neutral, 2 negative and 1 positive votes against ACO (c).
[94] Please also see our analysis of ACO (c) for our CMP434 decision, in response to a Panel Member who stated that their CMP434 voting statement (in the context of CMP435) should be read alongside their CMP435 voting statement. The analysis and views set out at ACO (c) for CMP434 are also applicable here insofar as the Panel Member's views are applicable to CMP435.
[95] With 25 positive, 3 negative and 6 neutral votes against ACO (d).
[96] With 23 positive, 7 negative and 4 neutral votes against ACO (d).

CUSC arrangements, since fewer industry resources will be invested into facilitating connections for projects which will not be built.

3.4.2 However, some stakeholders thought that the creation of Methodologies further fragments an already problematic governance environment, missing out on industry's expertise, especially when the current code reforms have been done in an accelerated way (we address this concern in the analysis of Element 1 of ACO (d). Since CMP435 is not an enduring process, some workgroup members were of the view that the additional administration and the pause during Gate 2 will have a net negative effect on administration efficiency. Others were concerned that the application window for CMP435 was not long enough to submit all evidence. There were also concerns that NESO and network companies would not be able to do the network analysis for the 'Gate 2 to whole queue' process in time, which would have knock-on negative effects on ACO (d) (we cover this in the analysis of Element 13 of ACO (d)).

3.4.3 One workgroup member thought that the Original Proposal had a positive impact by raising the entry requirements which would subsequently only see ready and needed projects being processed. This would ultimately lead to more efficient administration and allocation of network capacity, since TOs and NESO would not need to focus their efforts on projects which are not ready to proceed.

3.4.4 Another view expressed by workgroup and panel members was that the Original Proposal had a neutral effect on better facilitating ACO (d) since the substantial changes being made are in Methodologies and not the codes.

3.4.5 One respondent thought it would be beneficial if WACM1 went further and lead to the release of more data. In contrast, the view was expressed by some workgroup and Panel members that that WACM1's sharing of customer data was presenting a complex set of legal challenges to DNOs.

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Minded-to consultation views relevant to ACO (d)

3.4.6 This section covers stakeholder views on our Minded-to consultation that are pertinent to our analysis of ACO (d). A majority of Minded-to respondents believed that WACM1 did not provide a convincing benefit. Not least was the view that the Pause, market self-regulation and assessment process could cause delays.

3.4.7 Of those in support of WACM1, a stakeholder was of the view that the Pause would allow Users with Gate 2 offers to have a greater understanding of the refined queue and competing capacity in each zone and nationally, alongside greater clarity on whether it was worth progressing new projects that would be submitted at subsequent Gate 2 submission windows.

Our view

(d) promoting efficiency in the implementation and administration of the CUSC arrangements

This section provides our analysis of the Original Proposal and WACM1 against ACO (d). We consider that the Original Proposal better facilitates the achievement of ACO (d) than the status quo. It will create a more streamlined process to governance of specific aspects of the new connections process 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 greater resource burdens to process batched applications, this will be outweighed by the general efficiency gains from higher entry requirements, reducing wasted resourced on projects that are not viable or needed. We believe that Elements 1, 3, 11, 13, 16, 19, and 20 will better facilitate the achievement of ACO (d) than the status quo. Elements 9 and 10 would have a neutral effect.

Overall, we consider that WACM1 better facilitates the achievement of ACO (d) when compared to the status quo, but not as well as the Original Proposal. WACM1 shares the same Elements of Original Proposal and could increase transparency of information that may have been beneficial to facilitate the CUSC arrangements. However, it introduces a small initial

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administrative burden because of the Pause, which may contribute to an increased risk of disputes following Advancement requests as result of the Pause.

Element 1: Proposed Authority approved Methodologies and NESO guidance

3.4.8 Whilst we acknowledge that CMP435 has progressed on an urgent timetable, we consider this necessary and proportionate to address the scale and time sensitivity of the challenge, albeit we recognise the resource strain that this has had on stakeholders, which we would not want to replicate for future changes unless equally necessary.

3.4.9 Further, we consider the Methodologies themselves (although evaluated separately in our respective decisions on them) are robust, and this will remain the case through the new governance arrangements proposed to be put in place via proposed licence conditions.[97] Therefore, we disagree with the suggestion that the pace at which these reforms have been progressed has any negative impact on the functionality of the Methodologies, or in respect of ACO (d).

3.4.10 On the contrary, we consider Element 1 will better facilitate the achievement of ACO (d). It will allow NESO to adopt authorship of the Methodologies, meaning it can operate more efficiently to keep the connections process up to date in future, which connection customers and consumers can then also benefit from. We expect Element 1 will bring the following benefits[98] on better facilitating ACO (d):

- simpler and more streamlined governance arrangement which enables quicker changes (compared to the code modification process) and therefore grants NESO and TOs more time to focus on promoting efficiency in the implementation and administration of the CUSC arrangements;

[97] Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[98] These are also present in our analysis of ACO (d) for CMP434 decision, see paragraphs 3.4.11-3.4.13.

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- the avoidance of regular code modification workgroup meetings, in respect of the connections process, to free up NESO (and industry) resource to focus on carrying out the implementation and administration of the CUSC;
- a regular review timeline and the Authority power (as set out in Licence conditions) to instruct NESO to update the Methodologies ensure swifter implementation of changes, so that the connections process remains fit for purpose in perpetuity;

3.4.11 CMP435 enables the Methodologies that are created in CMP434 in respect of Element 1 to also apply to the existing contracted background, which will benefit existing Users that are successful in their application for Gate 2. In the context of ACO (d), this will enable the new Primary Process to be applied (the components of which are contained in the three Methodologies) to the existing contracted background more efficiently, allowing these reforms to be implemented on the swiftest timetable possible, to the benefit of connection customers and consumers.

Element 3: Clarifying which projects go through the Gate 2 to Whole Queue Process (Primary Process)

3.4.12 We expect that Element 3 will promote efficiency in the implementation and administration of the CUSC arrangements as applying the Primary Process to the existing contracted background in scope will better ensure a more coordinated network design. This is the case as the current connection date and location of existing customers that have met Gate 2 criteria should not be negatively affected in most cases, and there is the possibility to improve connections dates of existing customers if they choose to advance.[99]

3.4.13 We have considered the concern raised in response to the industry consultation that the administrative burden associated with the processing of a considerable number of applications under the 'Gate 2 to Whole Queue process' could be underestimated. We

[99] Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "*Appraisal of Impacts – Impact on network build – Connection date accelerations*".

do expect the administrative burden on NESO and network companies will increase in the short term in carrying out this exercise as part of Element 3, and we are working closely with these parties to have a clear, realistic implementation plan in place post-decision.

3.4.14 However, we expect that the benefits of the reforms in promoting efficiency in the implementation and administration of the CUSC arrangements in the longer term far outweighs this short-term administrative cost. This is due to the fact that the 'Gate 2 to Whole Queue process' will see the existing contracted background held to the same Primary Process standard as any future customers, which will result in a significant reduction in the overall size of the connections queue. This will make the resulting smaller queue easier to manage administratively for NESO and network companies in the future. This can have benefits for connection customers and end consumers as the scope for advancements means projects could connect earlier than they otherwise would under the status quo. This is especially the case when taken in conjunction with other Elements of the proposal, including Elements 11, 13, 19 and 20, as these further lead to a more streamlined and efficient connections queue.

3.4.15 Overall, we consider Element 3 will better facilitate the achievement of ACO (d) than the status quo.

Element 9: Project Designation

3.4.16 On Element 9, the PDM has been separately assessed by the Authority in *Decision: Project Designation Methodology*. Our view of Element 9 of CMP435 largely mirrors that of CMP434: we expect the introduction of the PDM will have a neutral impact on better facilitating the achievement of ACO (d) than the status quo.

3.4.17 As set out in the decision of CMP434, we acknowledge that there is a requirement for consultation before NESO can utilise Designation. In the event NESO decides to use this instrument under CMP435, this process could delay the 'Gate 2 to Whole Queue process'. However, to minimise this impact the Authority has the ability to waive this

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consultation requirement where certain criteria are met.[100] In this sense, the potential for intervention from the Authority acts as a mitigation to prevent the potentially negative impact that the consultation requirement could have in respect of delaying the 'Gate 2 to Whole Queue process'. Therefore, although there will be consultation requirements in place before the Project Designation tool can be utilised by NESO, we consider the administrative burden of this consultation requirement on NESO can be offset both by the fact this can be waived by the Authority and by the positive impact the Designation has on the use of the transmission system (covered under CUSC arrangements), in respect of ACO (d).[101] We therefore consider Element 9 will have an overall neutral impact on better facilitating ACO (d).[102]

Element 10: Connection Point and Capacity Reservation

3.4.18 Our view of Element 10 of CMP435 largely mirrors that expressed in respect of CMP434: we consider there will be a net neutral impact on better facilitating the achievement of ACO (d) as against the status quo.

3.4.19 Element 10 under CMP435 will impose a heightened administrative burden due to the quantity of projects captured in the 'Gate 2 to Whole Queue process'. This being said, we do not consider this will be detrimental to ACO (d) on balance, given this burden only increases in line with the proportion of projects caught by CMP435 which also warrant Reservation, which we expect to be limited.

3.4.20 Further, we consider the Reservation tool is needed to prevent inefficiency in the CUSC arrangements, including in respect of the existing queue. Without Reservation, certain existing projects (eg interconnectors or OHAs) could be unable to secure a route to a Gate 2 offer. This could create additional administrative burden for NESO in

[100] See Ofgem, *Decision: Project Designation Methodology*, April 2025 and Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[101] The consultation requirement is set out in Ofgem, *Decision on TMO4+ Reform related Modifications to Electricity Licence Conditions*, April 2025.
[102] Please note that the assessment of the impact of Element 9 has slightly changed from when we published our Minded-to Consultation of CMP435, for the reasons explained. However, the overall impact of this Element on ACO (d) has not changed.

handling disputes with these affected parties. Given the quantity of projects that the 'Gate 2 to Whole Queue process' will capture under CMP435, Reservation exists to protect the route to market for these Users and seeks to avoid any disputes or additional burdens that could otherwise exist in the absence of Reservation. Whilst there is an additional administrative burden for NESO in carrying out the annual review of any Gate 1 Offers with capacity reserved, this is offset by the benefit of seeking to avoid any potential disputes that connection customers (in the absence of a Reservation tool) could raise for being unable to achieve a gate 2 offer. Consequently, we consider Element 10 will have a neutral impact on better facilitating the achievement of ACO (d).

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

3.4.21 The additional requirements that need to be met by contracted Users to have a position in the reformed connection queue under the 'Gate 2 to Whole Queue process' can create an additional administrative burden in respect of CUSC arrangements in the first iteration of the reformed process. Network companies will need to reassess all competent eligible applications to check which of these meet the Gate 2 Criteria, which could be a significant number considering the size of the current queue, in order to reorganise the whole connections queue. However, following completion of the 'Gate 2 to Whole Queue process', the connections queue will be more streamlined, therefore promoting greater efficiency in the implementation and administration of the CUSC arrangements. Network companies can then assess applications with the intent to optimise and coordinate the transmission network system based on a more viable (since projects have secured land rights) and therefore reliable connection pipeline. This ultimately improves significantly the overall efficiency in the implementation and administration of CUSC arrangements, since all the benefits of connections reform (as a whole in respect of ACO (d)) would be unable to be achieved to the same extent if the Gate 2 criteria were not applied to the existing contracted background.

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3.4.22 Further, changes to the ORLB could also result in TEC reduction if there is sufficient discrepancy between the installed capacity in the ORLB and the allowed 50% change to that boundary. This would ultimately result in overall positive system benefits and improvements in efficiency in the implementation and administration of the CUSC arrangements, including an increase of spare network capacity or less reinforcement works needed in specific areas. This is the case because NESO will be able to assign that spare network capacity rather than it sitting with a party unutilised. Similar benefits can also be obtained if customers decide to reduce their TEC or developer capacity (as discussed in Element 13 below) as the amount of network capacity is optimised based on the User decisions and demonstration of Gate 2 Readiness. Overall, we consider Element 11 to better facilitate the achievement of ACO (d) than the status quo.

Element 13: Gate 2 Criteria Evidence Assessment

3.4.23 Element 13 will impose additional administrative burden on NESO and network companies in the short term, because they will need to assess applications for Gate 2 offers, advancement requests, Readiness Declarations and evidence for a considerable number of projects, given the size of the current connections queue (albeit only those that apply for a Gate 2 agreement).[103] This burden will be higher than would be the case under the status quo, as existing Users would not have any new applications or advancement requests to submit, nor would NESO nor network companies have to check Readiness Declarations and associated Gate 2 evidence.

3.4.24 However, despite this initial increased administrative burden associated with the increased processing of these applications and requests, in the long term the process set out in Element 13 - as part of the application of the reforms to the existing queue - better facilitates efficiency in the implementation and administration of the CUSC arrangements. We acknowledge stakeholder views that network companies face an increased administrative burden that can jeopardise the delivery of the 'Gate 2 to

[103] As set out in Ofgem, *TMO4+ Impact Assessment*, April 2025, at section 1: "*Introduction – Unrealistic connections queue*" there were 765GW of projects across transmission and distribution as of February 2025.

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Whole process'. That being said, we expect NESO and network companies to publish a clear implementation plan post-decision to issue connections offers within a timeline compatible with the gated design process.

3.4.25 The duplication check carried out by NESO as part of the 'Gate 2 to Whole Queue' exercise will initially add an administrative burden to NESO. However, this is expected to be outweighed by the benefits of securing the most progressed and viable projects. Additionally, Element 13 introduces a more robust assessment and record of project evidence which encompasses all of the contracted connection queue that meets the Gate 2 criteria. This would mean that any future connection applications under the CMP434 regime could be checked more effectively against Readiness Declarations of the contracted background that already achieved Gate 2 status (which includes data and locations of secured land rights). In the absence of this element in CMP435, readiness checks for new connections projects under CMP434 could be harder to verify or less effective.

3.4.26 Element 13 will lead to a more robust connections queue overall since existing Users are assessed against the Gate 2 Criteria, which is expected to lead to a reduction in the size of the connection queue.[104] This leads to reduced administrative burden for NESO in the long run, as the scope of projects subject to the queue management provisions will be reduced (queue management milestones will only apply to projects that have met Gate 2, under the TMO4+ reforms). Further, the anticipated reduction in queue size through Element 13 – combined with other Elements – will create scope for advancements for some projects, which would benefit ACO (d) through allowing connection customers to connect sooner for their benefit and the benefit of consumers.

[104] As set out in Ofgem, *TMO4+ Impact Assessment*, April 2025, section 2: "Appraisal of Impacts – Assessment of applying strategic alignment criteria to the queue"]), which suggests that the combined connections queue of transmission and distribution networks, following application of readiness and strategic alignment criteria to the existing contracted background could be 296GW (including built capacity, 173GW excluding built capacity). This is down from an existing queue size of 765GW as of February 2025.

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3.4.27 Under Element 13, Gate 2 applications can be rejected where projects submit evidence for the same piece of land as a project which already has a Gate 2 Offer. This will lead to increased efficiency in the CUSC arrangements, compared to the status quo, by avoiding the possibility that connection offers can be held for the same piece of land.

3.4.28 Furthermore, project developers can decide to reduce their TEC or developer capacity and demonstrate Gate 2 Readiness for that reduced capacity, in an attempt to submit an EA Request to receive Gate 2 EA Status. This promotes efficiency in the implementation and administration of the CUSC arrangements as it gives developers an opportunity to perform these actions without submitting a Modification Application. This results in overall positive system benefits, including an increase of spare network capacity or less reinforcement works needed in specific areas.

3.4.29 Lastly, considering Advancement requests, we acknowledge consultation respondents' view that assessing the evidence and feasibility for these requests could pose an administrative burden for NESO, TOs, DNOs and iDNOs in the context of the 'Gate 2 to Whole Queue' exercise, and that disputes could also arise based on whether projects have been granted Advancement or not. These aspects could make the CUSC arrangements less efficient, however the potential costs of these are outweighed by the greater benefit that Advancement requests provide to the implementation of the CUSC arrangements, through giving some Users a possibility to connect faster than they would be able to under the status quo (since Advancement is not available under the status quo). This therefore contributes to the achievement of a more efficient connections process. This is because the possibility to accelerate connections dates improves the CUSC arrangements overall and network companies could have an additional opportunity to use the network capacity freed up by the projects which become Gate 1 projects.

3.4.30 Overall, we consider Element 13 better facilitates the achievement of ACO (d) than the status quo.

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

3.4.31 The CNDM has been separately assessed by the Authority in *Decision: Connections Network Design Methodology*. Against this background, our view of Element 16 of CMP435 on ACO(d) largely mirrors that on CMP434: there are links and references in the CMP435 legal text to the CNDM, and the concept of NESO processing EA Requests (that have met the Gate 2 Criteria) in accordance with this Methodology is included within CMP435. The concept of a 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 of the connections process, and that connection customers can continue to receive connection offers as efficiently as possible. The scale of this impact is greater in CMP435 as it is applied to the existing contracted background in scope.

3.4.32 Therefore, in reviewing the implications of introducing this Methodology, we consider Element 16 to better facilitate achievement of ACO (d) than the status quo.

Element 19: Contractual changes

3.4.33 It is expected that Element 19 will add additional administrative burden to NESO, network companies and CUSC Users as part of the 'Gate 2 to Whole Queue' process, despite the choice to use existing CUSC contractual tools to convert Existing Agreements into Gated Offers. However, this Element will be the mechanism to unlock the improved efficiency of the CUSC arrangements in the longer term.[105]

[105] We also note that both Clause 15.2 of the existing Construction Agreement and proposed section 18.13.6 of the CMP435 legal text for both the Original Proposal and WACM1 recognise that the Authority has the power to vary the CUSC in a way that varies underlying contracts, this addition will better facilitate the achievement of ACO(d) as it will allow the Authority to efficiently implement and administer the CUSC arrangements by varying underlying contracts.

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3.4.34 Using CUSC contractual tools to convert EA into Gated Offers is a sensible approach to ensure all EA receive a Gated Offer. This ensures the existing contracted background in scope is optimised to unlock the expected longer-term greater system and consumer benefits of the enduring connections reform process. This leads to an optimised queue from which subsequent gated designs can produce better offers based on projects that have already met and evidenced Gate 2 criteria. All these benefits promote efficiency in the implementation and administration of the CUSC arrangements, for the reasons explained above in Element 3, by creating a more efficient framework to assess and process connections applications compared to the status quo. Element 19 therefore supports the other elements of the proposal that facilitate the achievement of those benefits, therefore contributing to the better facilitation of ACO (d) than the status quo.

Element 20: Transitional Arrangements and Cutover Arrangements

3.4.35 The cutover date provided in Element 20 avoids the connections processes envisaged respectively in CMP434 and CMP435 overlapping and provides clarity to Users about which rules should apply to their applications (ie CMP434 or CMP435). The cutover date also ensures efficiency and coordination across the transmission network, promoting efficiency in the implementation and administration of the CUSC arrangements, since it gives a clear indication of when connections applications cease to be considered EA, so that connections applications can be processed unambiguously under CMP434 rules.

3.4.36 We disagree with stakeholders concerns that projects excluded from transitional arrangements (i.e. those projects[106] that will continue to be processed under BAU processes) will have a negative impact on the timeline to deliver the 'Gate 2 to Whole queue process' as opposed to those projects that will be processed under transitional

[106] Project progressions, modification applications and BEGAs/BELLAs.

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arrangements.[107] Even if the projects excluded by transitional arrangements will be considered as EA projects (therefore contributing to the overall administrative burden to process EA requests), we consider these specific projects are not likely to have an impact on current timelines. This is due to the safeguards put in place by the cutover arrangements, including the fact that the Authority has decided to allow a pause on connections applications, which mitigates the risk of this situation becoming worse.[108]

3.4.37 Overall, we consider Element 20 will better facilitate the achievement of ACO (d) than the status quo.

WACM1: Introduction of a Pause for market self-regulation before NESO and the Transmission Operators (TOs) undertake the network assessment

3.4.38 We expect WACM1 of CMP435 would have a net positive impact on ACO (d) mostly because the transparency of information it offers could improve the efficiency of the CUSC arrangements. We acknowledge that WACM1 would bring a small additional administrative task for NESO and distribution companies to set up and maintain the EA Register.

3.4.39 In our Minded-to consultation, we reasoned that any withdrawals or Advancement requests (or updates to initial Advancement requests) made following publication of the EA Register would have increased efficiency in the implementation and administration of the CUSC arrangements, through securing the most optimised and viable connections queue. This would have then given NESO, TOs and Users more certainty of the projects in the connections queue and the confidence that the dates requested by Users were deliverable. NESO and distribution companies would already be in possession of and evaluating this data – as part of the Original Proposal, when

[107] We note that applications made under transitional arrangements will not have an impact on the 'Gate 2 to Whole queue process'. This is because by the time the Authority has made its decision on CMP435 the transitional arrangement period will be concluded, and customers will have already received a connection offer in accordance with transitional arrangements.
[108] For further information, please see: Decision on joint direction and Letter of Comfort requests on cut-over arrangements for new connection applications | Ofgem.

the Gate 2 evidence is assessed. Therefore, compiling this data into an EA Register and publishing on NESO's website would have been a negligible burden.

3.4.40 Following our Minded-to consultation, we agree with the stakeholder view that the EA information could give Users a greater understanding of the streamlined queue, competing capacity and more clarity whether is worth progressing new projects in future application windows. However, for WACM1 to facilitate the achievement of ACO (d) better than the Original Proposal, it would be necessary that the increased transparency of information is accompanied by changes in the User behaviour in light of this information, as we anticipated in our Minded-to consultation.

3.4.41 We have revised our evaluation of WACM1 against ACO (d) in response to stakeholder feedback. We acknowledge that the EA information alone is unlikely to be sufficient to incentivise Users to withdraw, therefore the existing connections queue is unlikely to have been optimised much better than what the Original Proposal could offer. This fact and the delay that the Pause would add, makes the administrative burden to implement the Pause less favourable compared to Original Proposal when assessing the better facilitation of the achievement of ACO (d).

3.4.42 Furthermore, we agree with the view that Advancement requests made as result of the Pause could increase the chances of disputes if Users disagree with which Users have been granted Advancement or not. To be clear, the risk of disputes arising from not granting Advancement requests is also present in the Original Proposal; however, because the Pause allows Advancement requests to be brought forward or amended following the Pause and in light of more information, the possibility of disputes could theoretically increase compared to the Original Proposal. If this were to be the case in practice, WACM1 would not have better facilitated the achievement of ACO (d) compared to the Original Proposal.

3.4.43 Introducing a Pause to self-regulate would add a small amount of additional time to an already constrained timeline to issue connections offers and the trade-off on implementation timescales, on balance having reviewed consultation responses, is not

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as worthwhile as we expected, for the same reasons given in ACO (a) when assessing WACM1.

3.4.44 In any case, we recognise the strong support respondents articulated for the benefits of transparency that WACM1 would have achieved. As referenced above, we encourage NESO to still publish the EA information as intended in WACM1 to ensure the connections process and Users are still able to benefit from this. Overall, we consider WACM1 will better facilitate achievement of ACO (d) than the status quo, but not as well as Original Proposal.

Overall recommendation:

3.4.45 As outlined above, we consider that the Original Proposal best facilitates ACO (a) when compared to the status quo and WACM1. It will provide robust requirements to retain a queue position, and will streamline the connections queue ultimately leading to a more efficient, economical and coordinated system.

3.4.46 Overall, we consider that the Original Proposal best facilitates ACO (b) when compared to the status quo and WACM1, since it will streamline the connections queue and will enable a materially improved rate of connections that benefits competition in the supply of electricity. WACM1, despite increasing transparency of information which is good for competition, could also induce a minimal chance of anticompetitive behaviour if the Advancement requests following the Pause are used solely to obtain a queue position.

3.4.47 We are of the view that both the Original Proposal and WACM1 have a neutral impact on ACO (c) since neither proposal appears to affect compliance with the Electricity Regulation or any Relevant Legally Binding Decisions of the European Commission and/or the Agency.

3.4.48 Overall, we consider that the Original Proposal best facilitates ACO (d) when compared to the status quo and WACM1. It will create an additional administrative

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burden which is offset by the longer-term gains in efficiency in the implementation and administration of the CUSC arrangements. Compared to WACM1, the Original Proposal will minimise impact on the timeline to issue offers and minimise the chances to raise disputes around Advancement requests.

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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 the Original Proposal of CMP435 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 the Original Proposal is consistent with our principal objective of protecting the interests of consumers (both current and future) which includes their interests in the Secretary of State's compliance with the duties in sections 1 and 4(1)(b) of the Climate Change Act 2008 (net zero target for 2050 and five-year carbon budgets). It is our assessment that approval of this modification, as a key part of the connections reform package, is consistent with our principal objective by, amongst other things, enabling work to rapidly decarbonise the energy system efficiently - in a manner that avoids an unnecessary overbuilding of the network at additional cost to consumers. We also recognise that decarbonisation increasingly insulates GB electricity consumers from the future risk of further fossil fuel driven price spikes, enhances security of supply and contributes towards sustainable development.[109]

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

[109] 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 We have considered whether approval of the Original Proposal is proportionate generally and consistent with our obligations under section 6 of the Human Rights Act 1998, particularly with regard to the right to peaceful enjoyment of possessions. We conclude that it is. Section 15.2 of CUSC Construction Agreements require parties to comply with the CUSC, including any subsequent modifications, such that any property right comprised in the contract is contingent on its terms. Further, our view is that the proposals are a necessary and proportionate means of addressing the issues outlined in the Overarching document. That is so, having regard to the seriousness of the problems posed by the current connections queue and its processes, the strong public interest in addressing these problems, including to enable the Secretary of State to comply 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), the advantages of those modification proposals over the other available options as an effective means of doing so and the lack of equally effective alternatives. We consider that a fair balance is struck between the relevant interests involved.

Other relevant statutory duties

4.5 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 the Original Proposal of CUSC modification proposal CMP435 '*Application of Gate 2 Criteria to existing contracted background*' 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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