



STC Panel

Wednesday 31 January 2024

Online Meeting via Teams

WELCOME



Approval of Panel Minutes

Approval of Panel Minutes from the Meeting held

13 December 2023



Action Log



Authority Decisions and Update



Decisions Pending

Modification	Final Modification Report Received	Expected Decision Date
CM89/91 - Implementation of the Electricity System Restoration Standard & Implementation of Emergency and Restoration Code Phase II	13 September 2023	30 January 2024

The Authority's publication on decisions can be found on their website below:

<https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>

Draft modification submitted

None

New modifications submitted

STC/STCPs

CM094 – Amendment to Bi-annual estimate provisions

*PM0137 - Queue Management Coordination
Procedure*



Treatment of Securities for Approved Investments



Case for change

- Securities associated with large strategic transmission investments can be significant for customers and pose a barrier to development. E.g., **an 8.4MW onshore wind farm in Orkney is currently facing a charge of over £3m**. This is a small developer who will have to provide cash upfront to cover this cost.
- Without a change to the securities regime, there are several renewable projects across Shetland and Orkney that will become unviable in Q1 2024.
- To remedy this issue and accelerate the connection of viable customer connections, we are proposing an STC code modification to allow TOs not to pass on costs associated with strategic transmission reinforcements that have received regulatory approval.





Our proposal

- The purpose of securities is that if a developer terminates their connection offer or reduces capacity, then that security will be used to cover any irrecoverable costs spent to date on facilitating their connection. This protects consumers and TOs from having to cover the cost.
- While it is right that customers should securitise to protect consumers and TOs, at the point where Ofgem has approved the need for reinforcement works then the risk of construction not proceeding is greatly reduced. It is highly unlikely that a customer's cancelled connection would stop the reinforcement proceeding.
- **We are proposing that, where Ofgem has approved the need for strategic transmission reinforcement works via the price control framework, then customers should no longer securitise for those specific works.**
- Customers securities would only be released at the point that the reinforcement is approved. Customers will continue to secure up to this point and will still be required to securitise against any connection assets, sole use works, as well as any wider work securities.

How material is this issue?

- **This isn't unique to the north of Scotland.** We know from discussions with both TOs that this is a common problem being faced across GB.
- Using only our T2 LOTI projects as an example up to **33.5GW of renewable generation**, across over **80 customers**, would see a benefit in reduced securities. The impact on individual customers will vary however across all customers this would result in an overall reduction in securities of c.£3bn.

T2 Reinforcements	Capacity Impacted	Customers Impacted
Eastern Green Link 2	30GW	40
Argyll	2GW	11
Skye	0.7GW	11
Orkney	0.1GW	9
Shetland	0.7GW	10





What is the impact of implementing our proposal?

- Taken into consideration with newly introduced reforms which will improve certainty of customer progression, **this will facilitate timely connection of viable renewables projects** by reducing the overall financial burden on customers. This will help to reduce the backlog in the queue and result in improved certainty for TOs delivering network investments.
- **The risk to consumers is minimal.** Customers will still be required to securitise against any connection assets, sole use works, and wider work securities and will continue to securitise against large transmission reinforcement works until regulatory approval is in place. Up until this point, costs spent on the reinforcement works will only be pre-construction development spend. For T2 reinforcements, this amounted to c.2.6% of project costs. Once we have received regulatory approval for reinforcements it is extremely unlikely that we will not progress.
- This strikes an appropriate balance between ensuring that developers are liable should they cancel their project whilst reducing the overall scale of those securities to ensure that reinforcements do not pose a barrier to connections proceeding.



Summary

- **This is a priority within CAP commitments:** we believe securities reform should be a key priority within the Connections Action Plan to facilitate the delivery of faster connections.
- **This is about acceleration:** the current securities regime is acting as a barrier to viable customer projects. Reform will speed up the delivery and connection of these projects.
- **Action is needed now:** without a resolution to the current issue by Q1 2024, viable projects in Shetland and Orkney will be put at serious risk.
- **Reform will deliver material benefit to customers:** on our T2 LOTI projects alone, over 80 customers would benefit from this change helping to facilitate the connection of 33.5GW of renewable generation.
- **Sets up customers ahead of ASTI and CSNP:** progressing reforms now will ensure that the securities regime is fit for purpose to support timely connection to ASTI and future CSNP works.
- **STC route will deliver a quick win:** alternative options will be lengthy and more complex to deliver. An STC modification is a pragmatic solution that could see reforms implemented within months.

Ofgem's Urgency Criteria

Ofgem's current view is that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed may cause:

- a) A significant commercial impact on parties, consumers or other stakeholder(s); or
- b) A significant impact on the safety and security of the electricity and/or gas systems; or
- c) A party to be in breach of any relevant legal requirements.

More information can be found at:

<https://www.ofgem.gov.uk/sites/default/files/2022-08/Urgency%20Guidance%20-%20FINAL.pdf>

Proposer’s Justification vs Ofgem’s Urgency Criteria

The Proposer recommends that this modification should be treated as an Urgent Modification proposal and be assessed by a Workgroup.

Ofgem’s Urgency Criteria	Proposer’s Justification
a) A significant commercial impact on parties, consumers or other stakeholder(s).	None given
b) A significant impact on the safety and security of the electricity and/or gas systems.	None given
c) A party to be in breach of any relevant legal requirements	None given

CM094 – the asks of Panel

- **AGREE** that this Modification should proceed to Workgroup
- **VOTE** whether or not to recommend Urgency
- **NOTE** next steps:
 - Under STC Section 7.2.6.2, we will now consult the Authority as to whether this Modification is an Urgent STC Modification Proposal
 - Letter to be sent to Ofgem 01 February 2024
 - Ofgem approval of Urgent treatment sought TBC
 - 1st Workgroup TBC

PM0137 - Queue Management Coordination Procedure

On 13 November 2023 Ofgem approved modification CMP376 which applied a Queue Management policy in the CUSC.

The responsibility for administering and enforcing these new arrangements lies with ESO (The Company), however they will need some support from relevant Transmission Owners (TOs).

Additionally, the TOs will require visibility of policy positions agreed between ESO and connection customers, plus any associated enduring policy interactions during the connections journey, in order to effectively manage associated transmission works.

There are multiple routes to ensure collaboration and coordination between the ESO and Onshore TOs for administration of the Queue Management policy. The least onerous route to achieve this is seen to be an amendment to the STC.

This option not only sets a minimum standard for coordination activities on Queue Management matters but does so transparently in the codes for all industry stakeholders

Proposers Solution

Establish a new STC Procedure – STCP18-7 - to govern the coordination interactions between The Company and relevant TOs for administering and enforcing the CUSC Queue Management Process, specifically:

- Data exchange for relevant details as agreed with customers in Appendix Q.
- Data exchange for any communications in relation to enduring milestone compliance.
- Coordination to review and verify submitted evidence to demonstrate compliance (if needed).
- Coordination to review and determine whether customer requests for compliance Exceptions are valid (if needed).
- Consultation between ESO and relevant TOs prior to contract termination being initiated at the discretion of ESO



Inflight Modification Updates

PM0126 – Transmission Impact Assessment process

PM0126 – Transmission Impact Assessment process

The current Statement of Works (SoW) process can be inefficient and time-consuming where there are concurrent multiple smaller connection applications. In order to overcome these the Network Operators have trialled and refined a more efficient aggregated assessment (widely known as the “Appendix G” process) of Distributed Generators (DG) that have or may have an impact on the National Electricity Transmission System (NETS). This process is being formalised as part of CUSC modification CMP298 and STC modification CM080 which have both been submitted to OFGEM for approval. This proposal for changes to STCP 18-4 will align with the CM080 solution and is required to be implemented once CM080 has been approved by Ofgem.



Workgroup Report

None



Any Other Business

- *Future System Operator Update – Ofgem*
- *Energy Code Reform Update - Ofgem*

Activities ahead of the next Panel Meeting

Modification Proposals to be submitted	13 February 2024
--	------------------

Papers Day	20 February 2024
------------	------------------

Panel Meeting	28 February 2024
	Teams Meeting

Close



Deborah Spencer
STC Panel Chair