

Open letter on connections reform

Purpose of this open letter

This open letter provides a brief update on some aspects of our proposals for reform of the electricity connections process, in light of feedback received to our consultation on connections methodologies¹ published on 5 November 2024. This open letter sets out NESO’s proposed high level positions in some areas of connections policy (more specifically within the connections network design methodology), which we will expand upon in detail within our final proposals for connections reform, to be submitted to Ofgem by the end of 2024.

Context

Our consultation on 5 November 2024 focused on the ‘connections methodologies’ which we may be required to establish and maintain under proposed changes to our licence, which are currently being consulted on by Ofgem². The intention is to ensure a new, agile, future-proof process for connection and access to the transmission system that ensures ‘ready’ and ‘strategically aligned’ projects are connected in a timely and efficient manner to achieve clean power. These build on the ‘readiness’ proposals previously proposed, by introducing additional requirements to demonstrate ‘strategic alignment’ with strategic energy plans published by Government – more specifically with Government’s upcoming Clean Power 2030 Action Plan (“CP30 Plan”) – in order to meet the new Gate 2 Criteria.

We are working through all responses to the consultation and considering the changes that may be required. We set out in this open letter some initial changes we think are necessary and that we intend to make to the connections methodologies, reflecting one strand of strong feedback received in the consultation period.

Within the consultation we set out that: *“NESO will ensure that projects which have met the Gate 2 criteria and are already under construction and due to commission in 2026 or earlier will not be adversely impacted by aligning the queue to the CP30 Plan”* (Connections Network Design Methodology, 5.5.5 page 27).

We received feedback during the consultation period that the above wording provides a helpful signal to nearer-term projects to progress; however the definition of ‘under construction’ needs further clarity. We intend to provide further clarity on this definition within our final proposals, which will be submitted to Ofgem for decision alongside proposed code and licence changes.

We also received feedback from industry stakeholders during the consultation period, that providing up-front comfort for additional viable and well progressed projects would further support the timely delivery of projects that could contribute to Clean Power by 2030.

¹ <https://www.neso.energy/industry-information/connections/connections-reform>

² Proposed licence changes to enable TMO4+ Connections Reform | Ofgem

Our proposed updated high level positions

We agree that it is important to provide up front comfort to well progressed projects to support the timely connection of projects that would help deliver Clean Power by 2030. We therefore propose introducing various additional connections policy flexibilities and measures into the connections methodologies to provide this comfort to well progressed projects, recognising the responses to the consultation.

In summary, the below categories of projects will be deemed to have met the strategic alignment element of the Gate 2 criteria, so long as they can provide evidence of the following by the close of the Gate 2 to whole queue evidence submission window (currently estimated as end May 2025):

- have submitted an application for planning consent before the date at which we submit our final connections methodologies proposals to Ofgem (currently estimated as 20 December 2024) and have secured planning consent by the close of the Gate 2 to whole queue evidence submission window; or
- have been awarded a Government Contract for Difference³; or
- have been awarded a Capacity Market contract by NESO; or
- interconnector or Offshore Hybrid Asset projects that have been awarded an Ofgem cap and floor or merchant route regulatory approval.

For the avoidance of doubt, we propose that projects in the above categories would continue to be required to demonstrate that they have met the ‘readiness’ element of the Gate 2 criteria. These projects would also still be eligible to request advancement and be subject to reassessment as outlined in the Connections Network Design Methodology.

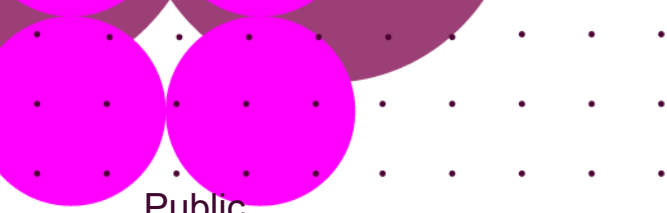
This is NESO’s proposal and will be subject to final approval by Ofgem as per the wider connections methodologies, licence changes and code modifications.

Next steps

We will set out further details on the above measures within our final proposals for methodologies to underpin connections reform, to be submitted to Ofgem by the end of 2024, for decision in Q1 2025.

We will also set out in our submission to Ofgem our assessment of the impacts of the above against the mix of pathways within Government’s Clean Power 2030 Action Plan, once those pathways are published. Our initial analysis based on working with Government, is that the above measures would provide benefits to well progressed projects that can help deliver Clean Power

³ Some consultation responses requested up-front comfort for projects awarded funding via a Government Hydrogen Allocation Round. Having discussed this with Government we can confirm that those projects are classified as ‘demand projects’ and therefore only need to meet the ‘readiness’ element of the Gate 2 criteria (as demand projects are out of scope of CP30)



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2030, while not leading to material misalignment with the pathways within Government’s Clean Power 2030 Action Plan.

