Public

**STCP Modification Proposal Form**

# PM0160: CNDM 7.22-7.25 Procedure - "Capacity Reallocation"

**Overview**: To create a standardised interaction between NESO and TO's detailing how Capacity Reallocation will work at Transmission and note any differences for dealing with Distribution Reallocation (NESO / TO interaction only)

**Modification process & timetable**

1. **Initial STCP Proposal Form**
   25 November 2026
2. **Approved STCP Proposal Form**
   TBC
3. **Implementation**
   End of Q1 2027

**Status summary:** The Proposer has raised a modification and is seeking a decision from the Panel on whether the modification should be implemented.

**This modification is expected to have a: Medium impact**
Transmission Operators

| | | |
|---|---|---|
| **Proposer's assessment of materiality** | A material change – Authority decision | |
| **Who can I talk to about the change?** | **Proposer:**<br>Dovydas Dyson<br>Dovydas.Dyson@neso.energy | **Code Administrator Contact:**<br>Teri Puddefoot<br>STCTeam@neso.energy |

# Contents

**What is the issue?** ..... **3**

Why change? ..... 3

**What is the Proposer's solution?** ..... **3**

Legal text ..... 12

**What is the impact of this change?** ..... **12**

Proposer's assessment against STC Objectives ..... 12

Proposer's assessment against the STCP change requirements[1] ..... 13

**When will this change take place?** ..... **14**

Implementation date: ..... 14

Implementation approach: ..... 14

**Interactions** ..... **14**

**Acronyms, key terms and reference material** ..... **15**

Reference material ..... 15

Public

## What is the issue?

The Connections Network Design Methodology (CNDM)[1] sets out a high-level criterion of how gaps should be reallocated if / when they arise. There is no codified method of achieving this as this has not been an approved policy item before. This new STCP seeks to create such a method.

### Why change?

Not applicable. No change to a procedure is required. This Proposal introduces a new concept (capacity reallocation, as per the CNDM) which has not previously been documented / implemented in the STC and sits outside of any existing NESO / Transmission Operator (TO) interaction.

## What is the Proposer's solution?

A reallocation gathering window that runs from the gated application window closure to a set point before the subsequent application window commences to allow for a reallocation processing period to take place.

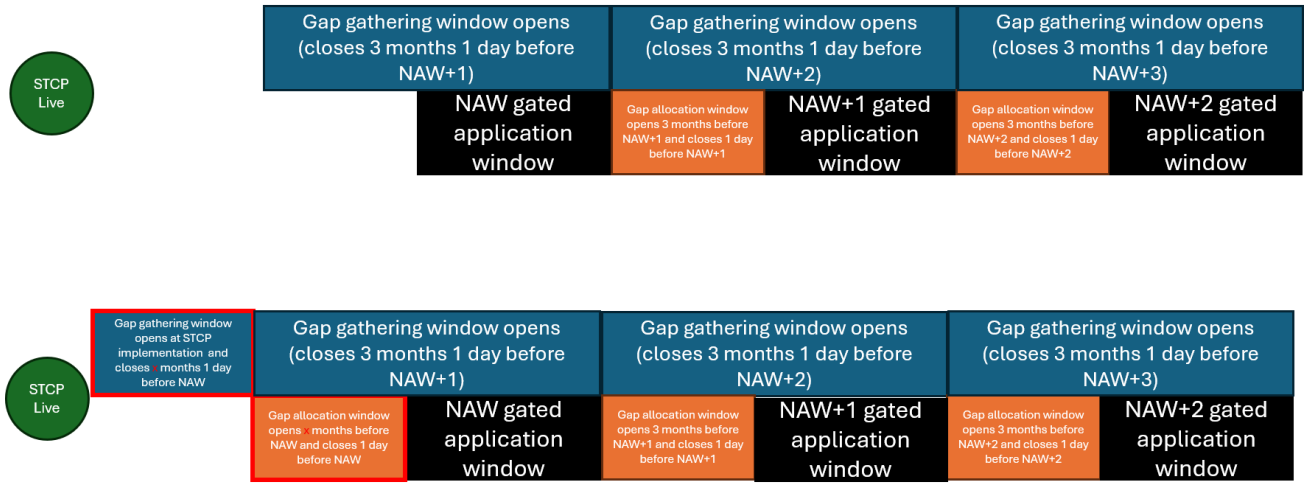
A reallocation processing window that begins after the closure of the reallocation gathering window and runs until the new gated application window opens.

An exceptions process to allow for ad hoc gaps to be reallocated where appropriate criteria allow (needs to be discussed and created as part of STCP)

Whilst the intent of this STCP is to provide a framework for how reallocation should work after Next Application Window (NAW) is live, it may be that if advantageous to do so, and time allows; a shorter "mini" window can be created for the start of NAW. The timescales and process detailed herein is intended to be considered after NAW is live but could provide a starting point to also create something immediately post STCP implementation and in time for NAW.

e.g. Initial expectation of this STCP vs implementing something pre-NAW if agreement / and time to do so.

[1] Connections Network Design Methodology (CNDM)




It is worth noting that the potential 'betterment' for projects within this proposed capacity reallocation process could be a variety of things in practice e.g. an improved connection date through the availability of a reallocated connection bay and/or the removal of some of the Enabling Works, and/or reduced costs (or liability/security) due to the same and/or fewer 'non-firm' conditions, etc. The variability of what 'betterment' might be possible is however not intended to be directly covered by this Proposal – the focus of this Proposal is in providing structure/process between NESO and TOs so that such betterment opportunities can be identified and offered to parties who may be able to benefit from them in future, in a timely and structured way, and which is aligned to the principles and processes set out within CNDM 7.22 to 7.25.

Additionally, where it is decided that something is not a gap for reallocation but the project(s) removal from the queue may end up changing / reducing TO works as a result, what impact that may have on existing connections contracts will need to be considered, but not necessarily as part of this STCP.

## Reallocation Gathering Window Sequence

| Step | Process activity | Output / decision |
|---|---|---|
| 1A<br>**OR** | A project withdraws from the queue prior to receipt of a Gate 2 offer or does not sign its Gate 2 offer. | NESO notifies the TO, confirming Transmission Owner Construction Offer (TOCO) lapse (if one exists) or withdrawal. |

| | | |
|---|---|---|
| | | The gap becomes available for potential reallocation.<br><br>Processing duration as per existing timelines.<br><br>Open Items:<br><br>• Criteria for what is or isn't a gap during pre-termination.<br>• Contents / format / storage and ownership of the tracker / access to e.g. Foundry. |
| 1B | A Gate 2 project terminates or is terminated. | NESO issues a termination notice.<br><br>The gap becomes available for potential reallocation.<br><br>Processing duration as per existing timelines.<br><br>Both processes (termination and reallocation) to run in parallel – abortive and admin costs assigned to terminating project, with reallocation process ideally offsetting the total cost that would have gone to terminating party.<br><br>Termination report will need to be open until it is known whether a reallocated project has taken on some of the abortive cost or not. |
| 2 | Potential gaps are logged (from 1A and 1B), including the detail of what may be reallocated. | The Tracker is kept live as and when new gaps identified. |

| | | |
|---|---|---|
| 3 | Periodic check-ins conducted | NESO/TO's sense check every e.g. 2 or 3 months the current status of gaps, and which items identified in step 2 are indeed gaps to proceed with and which ones are not (and why not)<br><br>If it becomes apparent that a gap would ideally be filled before the next gated application window, it would need to follow an exceptions process that would be agreed at this stage.<br><br>Open Items:<br><br>• How often is the periodic check in.<br>• What / how / who determines what is a gap to be reallocated or not, and the nature of the gap/ betterment<br>• What is the criteria for an exceptions process. |
| 4 | Gathering window closes on Day "X," e.g. 3 months 1 week before new gated application window opens. | Lapses confirmed by customers, signing-period expiries and termination notices received that day are triaged for the window that has just closed, even if finalisation of said triage occurs outside of the window. With any such lapses thereafter flowing into the next gathering window. |
| 5 | A new Gathering window opens on X+1 (working days) | Repeat the process above to capture projects arising during the new reallocation processing window, to be dealt with a gated application window +1. |

## Process Flow

| | |
|---|---|
| **1A**<br>Gate 2 Project withdraws or does not sign Gate 2 offer<br>(TOCO lapse if one created) | **1B**<br>Gate 2 Project Terminates or is Terminated (Termination and reallocation to run in parallel) |
| ↓ | ↓ |
| **2**<br>Available gaps logged | **2**<br>Available gaps logged |
| ↓ | ↓ |
| **3**<br>Periodic check-ins conducted | **3**<br>Periodic check-ins conducted |
| ↓ | ↓ |
| **4**<br>Gathering window closes on Day X | **4**<br>Gathering window closes on Day X |
| ↓ | ↓ |
| **5**<br>New gathering window opens on X+1 | **5**<br>New gathering window opens on X+1 |

Public

## Reallocation Processing Window Sequence

| Step | Process activity | Output / decision | Deadline (working days) |
|---|---|---|---|
| 1 | NESO and TOs create and agree the final list of all eligible gaps. | Agreed final list of actual gaps (From Step 3 above) | X+15 |
| 2 | NESO may request any bays to be held back for strategic purposes. | TOs confirm whether the strategic hold-back can be accommodated.<br>Open Items:<br>• STCP proforma – bay request<br>• STCP proforma – bay request - response | X+20 / X+25 |
| 3 | NESO and TOs run the CNDM hierarchy against eligible projects. | Projects are assessed against available gaps, including those that asked to be considered and any wider eligible projects.<br>Open Items:<br>• Need sub level agreement of what info flows happen, and the timescales within the time allotted<br>• Working assumption in CMP434 is that a signed contract will be able to in Foundry tick a box that says they are interested in reallocation which will give a first pass list of eligible projects. | X+35 |
| 4 | NESO and TOs finalise first and | Primary and fallback developers are confirmed for each gap. | X+40 |

| | | | |
|---|---|---|---|
| | second contacts for each identified gap. | | |
| 5A | Contact Developer 1 for each identified gap | Information shared with Developer 1 at an agreed NESO / TO level of detail.<br>Open Items:<br>• STCP proforma – developer 1 / 2 template<br>• An alternative, to save time could be to identify developers and contact them at the same time, telling them their "position" akin to interactivity. To be discussed. | X+45 |
| 5B | Response deadline reached. | Developer 1 responds positively or does not respond / confirms it is not interested.<br>Open Items:<br>• STCP proforma – expiry template<br>• STCP proforma – allowance to proceed template. | X+55 |
| 6a<br>**OR** | Developer 1 responds positively. | Preparation begins for that developer's modification application. A validation letter issued confirming NESO / TO expectation that the application for the gap is valid until the end of the current window. | X+60 |
| 6b | Developer 1 does not respond or confirms it is not interested. | Letter issued withdrawing the gap offer and confirming the applicant is not eligible for that gap; any application for that gap would not be processed. | X+60 |
| 7A | Contact Developer 2 | Repeat contact, response deadline, and decision process for Developer 2, (copy of 5) | X+60 |

| | | | |
|---|---|---|---|
| 7B | Deadline for Developer 2 | Repeat contact, response deadline, and decision process for Developer 2, as required. | X+70 |
| 8a<br>**OR** | Developer 2 responds positively. | Preparation begins for that developer's modification application. A validation letter issued confirming NESO / TO expectation that the application for the gap is valid until the end of the current window. | X+75 |
| 8b | Developer 2 does not respond or confirms it is not interested. | Letter issued withdrawing the gap offer and confirming the applicant is not eligible for that gap; any application for that gap would not be processed. | X+75 |
| 9 | TO/NESO workshop on future of the "gap" | Whether the system gap can benefit system constraints given the lack of interest from developers, or whether the gap left for the next gated application window if this is possible.<br>Open Items:<br>Need sub level agreement of what info flows happen, and the timescales within this. | X+85 |
| 10 | Gated Application Window Open | Those with the letter confirming ability to submit a mod app related to reallocation, do so as part of the gated application window. | X+90 |

## Process Flow

| | | |
|---|---|---|
| **Main sequence** | | |
| 1 → 2 → 3 → 4 → 5A → 5B | | |
| ↓ | | |
| **Split at Developer 1 response** | | |
| **6a**<br>Developer 1 proceeds | **6b**<br>Developer 1 does not proceed | |
| ↓ | ↓ | |
| ↓ | **7A**<br>Contact Developer 2 | |
| ↓ | ↓ | |
| ↓ | **7B**<br>Developer 2 deadline | |
| ↓ | ↓ | |
| ↓ | **8a**<br>Developer 2 proceeds | **8b**<br>Developer 2 does not proceed |
| ↓ | ↓ | ↓ |
| ↓ | ↓ | **9**<br>NESO/TO workshop re Gap |
| ↓ | ↓ | ↓ |

| | | |
|---|---|---|
| **10**<br>Gated Window Open | **10**<br>Gated Window Open | **10**<br>Gated Window Open |

Additional policy points that require discussion / agreement

- Gaps are to be given one window's worth of attempt at relocation. . What happens to the gaps after that?

- How the consequential gaps are dealt with (if reallocation is successful) in the next window, if at all
- How different (if at all) will embedded projects be treated as this will differ for small and medium vs large embedded and may also differ based on whether the embedded project has works or no works.

**Legal text**

To be developed.

## What is the impact of this change?

NESO and TO in the main, but with onward impact to Developers and Distribution Network Operators (DNOs). This will not bring positive or negative impacts vs anything current but should bring clarity on how this concept will work in practice.

| **Proposer's assessment against STC Objectives** | |
|---|---|
| **Relevant Objective** | **Identified impact** |
| (a) efficient discharge of the obligations imposed upon Transmission Licensees by Transmission Licences and the Electricity Act 1989; | **Neutral** |
| (b) efficient discharge of the obligations imposed upon the licensee by the Electricity System Operator licence, the Energy Act 2023, and Electricity Act 1989; | **Neutral** |
| (c) development, maintenance, and operation of an efficient, economical, and coordinated system of electricity transmission; | **Positive**<br>This should enable a more efficient management of the connections queue. |

| | |
|---|---|
| (d) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity; | **Neutral** |
| (e) protection of the security and quality of supply and safe operation of the National Electricity Transmission System insofar as it relates to interactions between Transmission Licensees and the licensee*; | **Neutral** |
| (f) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC; | **Neutral** |
| (g) facilitation of access to the National Electricity Transmission System for generation not yet connected to the National Electricity Transmission System or Distribution System; and | **Positive**<br>This should enable a more efficient management of the connections queue. |
| (h) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency. | **Neutral** |

** See Electricity System Operator Licence*

| **Proposer's assessment against the STCP change requirements[1]** | **Proposer's assessment** |
|---|---|
| (a) the amendment or addition falls within the terms and arrangements set out in condition E4 of the ESO Licence Standard Condition B12 of the Transmission Licence; and | Requirement met |
| (b) the amendment or addition does not impair, frustrate, or invalidate the provisions of the Code | Requirement met |
| (c) the amendment or addition does not impose new obligations or liabilities or restrictions of a material nature on Relevant Parties which are not subsidiary to the rights and obligations of the Relevant Parties under the Code | Requirement met |

| | |
|---|---|
| (d) the amendment or addition is not inconsistent or in conflict with the Code, ESO Licence or Transmission Licence Conditions or other relevant statutory requirements; and | Requirement met |
| (e) the Relevant Party Representatives deem that the amendment or addition is appropriate to support compliance with the Code | Requirement met |

## When will this change take place?

**Implementation date:**

By end of Q1 2027.

**Implementation approach:**

This is creating a new process, not changing an existing one. It will need to be integrated into the planning of gated application windows but will not be part of the gated application windows themselves.

## Interactions

| | | | |
|---|---|---|---|
| ☐Grid Code | ☐BSC | ☐CUSC | ☐SQSS |
| ☐European Network Codes | ☐Other modifications | ☒Other | |

Connections Network Design Methodology - this STCP is intended to formalise the process and add structure to the high level criteria set out at 7.22-7.24 of the methodology pertaining to reallocation at Transmission and to (in so far as it is able to given its remit is the TO-NESO interactions) differentiate if / how the TO-NESO interactions will work for 7.25, reallocation at Distribution; noting that other documents/ processes will need to be agreed outside of this STCP for the full TO-NESO-DNO interactions of section 7.25 of the methodology.

## Panel Determination

| Party | Determination |
|---|---|
| **National Energy System Operator (NESO)** | To be updated following Panel determination |
| **National Grid (TO)** | To be updated following Panel determination |
| **Offshore Transmission Owners (OFTOs)** | To be updated following Panel determination |
| **Scottish Hydro Electric Transmission plc (SHET)** | To be updated following Panel determination |
| **SP Transmission Limited (SPT)** | To be updated following Panel determination |

### Acronyms, key terms, and reference material

| Acronym / key term | Meaning |
|---|---|
| BSC | Balancing and Settlement Code |
| CUSC | Connection and Use of System Code |
| Capacity Reallocation | As per CNDM 7.22-7.25 |
| CMP435 | Gate 2 to Whole Queue window, preceding NAW |
| CNDM | Connections Network Design Methodology |
| ESO | Electricity System Operator |
| DNO | Distribution Network Operator |
| NAW | Next Application Window |
| NESO | National Energy System Operator |
| OFTO | Offshore Transmission Owners |
| PM | Procedure Modification |
| STC | System Operator Transmission Owner Code |
| STCP | System Operator Transmission Owner Procedure |
| SQSS | Security and Quality of Supply Standards |
| TO | Transmission Owners |
| TOCO | Transmission Owner Construction Offer |

### Reference material

- Connections Network Design Methodology (CNDM)