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The Connections Solution(s)

The inability to connect new projects to the networks has been a major problem for developers for the past few years. In many cases proposed projects have foundered and funding for renewables and storage has become harder to obtain. The fault is, we were told, that there is insufficient capacity on the networks and that the needed additional infrastructure would not be available until the mid-to-late 2030s.

The distribution networks came up with an interim workaround to the problem in about May 2023. That workaround took several months to implement, again causing projects to founder and making financing harder to secure.

Financing remains harder to secure because the workaround has opaque features. It allows plant to connect subject to (a) uncompensated constraints and (b) the need to contribute an unspecified sum to network upgrade costs at some time in the future.

Just as the sums to be paid at some future time are unclear, so the constraints that govern the running of any new plant are unclear. What the constraints are for any given node of the network can be determined in broad and general terms, but much harder, if possible at all, to determine for any given project that wants to connect.

Things, we are told, are about to change; but the workaround will remain in place.

The proposed change is announced in prospect by a joint government and Ofgem paper *Connections Action Plan* or **CAP** and in detail by the plans most recently published by the Energy Networks Association and by the newly constituted National Electricity System Operator.

There are broadly two sorts of change at issue – long-term change that will be driven by NESO and short-term change by all the networks that is partly already in effect.

The long-term change involves such things as spatial planning, a different sort of co-operation between networks, more ‘intelligent’ uses of data, together with an (unspecified) upgrade to the short-term plan if it doesn’t work.

The short-term plan is based on one fundamental premise, a premise agreed to in the CAP, by NESO and the distribution networks – and it is no longer what we were told, that there was insufficient network infrastructure. The new premise is that there are too many applicants for network connections and many need to be squeezed out.

The two sets of networks (transmission and distribution) have different governance, but the shape and effect of the squeezing-out is the same for them all. The outcome is intended to be that there will be far fewer projects or holders of connection offers.

So, the connections problem is to be dealt with by a means to reduce applicant projects, followed by a toughening of the means to reduce the number if that doesn't work or doesn't work well enough. At the same time there is to be a more disciplined approach to assessment of things like capacity (the distribution networks currently assess capacity on the basis of unrealistic assumptions). This will be followed by a new approach to identifying what network reinforcement is really needed.

The squeezing out of applicants has already started with what is described by all involved as “queue management”, *viz*: obligations on applicants which, if not met within the required timescale, leads to the loss of their connection offer.

Queue management has been in place for the distribution networks for some months now. After accepting a connection offer, a holder has, for example, 2 months to secure land rights, 12 months to secure planning consent, 6 months from planning consent to provide a detailed programme of works, and so on and so on. Failure to meet a milestone means the connection offer lapses. Some flexibility is allowed in the milestone process, although Ofgem believes that a review of enforcement of the milestones may be needed.

The same thing is about to happen to transmission connections (as from January next year), but in a more top-down and complicated way, under the rubric ‘first ready, first connected’, signaling that ‘first come, first served’ no longer applies.

Although the NESO's approach applies to the transmission network, inevitably it will have an impact on and partly shape the way the distribution networks manage their own queues.

At its simplest, what is to happen is as follows.

- There is a pre-application period during which projects are grouped into types (technologies). There is no indication of the timing of this period.
- Applicants then move to Gate 1, where they are assessed for “competence” and given an “indicative” offer, both as to date and connection point. Competence isn’t explained, but the use of milestones seems likely. Gate 1 is 12 months long.
- Applicants that are deemed competent, are then moved to Gate 2 where they are put in a queue for a connection offer that is no longer merely indicative.

There are two things about this to take note of. First, the holder of a connection offer that fails any benchmark can be pushed back in the queue, so in principle can be moved back from Gate 2. Second, someone who *now* holds what they think of as a firm connection offer can lose it, because that process will be applied to it, too. Application of the new rules will be retrospective.

The CAP discussed the possibility of making the whole application process even harder than the impending changes – obviously, only to be considered if the squeezing out route doesn’t work. It mentioned the possibility of introducing financial incentives for entering the queuing system, i.e., up-front payments.

This is all designed to prevent the practice of obtaining a connection offer and selling it on, of keeping a connection offer alive while seeking funding for it and, simply, of not being ready at the time and in the manner the networks require.

It *will* work. Large numbers of projects will simply founder and funding will become even more difficult than the networks have already made it.

If enough projects drop out of the queue, government, Ofgem, NESO and the networks will say they have achieved what they set out to do. In doing so, ready-to-build projects as we now know them will disappear altogether. What they are jointly planning will change the investment landscape.

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