

Open Networks WS2 P2 Queue Management Consultation Summary & Update

December 2020



Summary and Next Steps

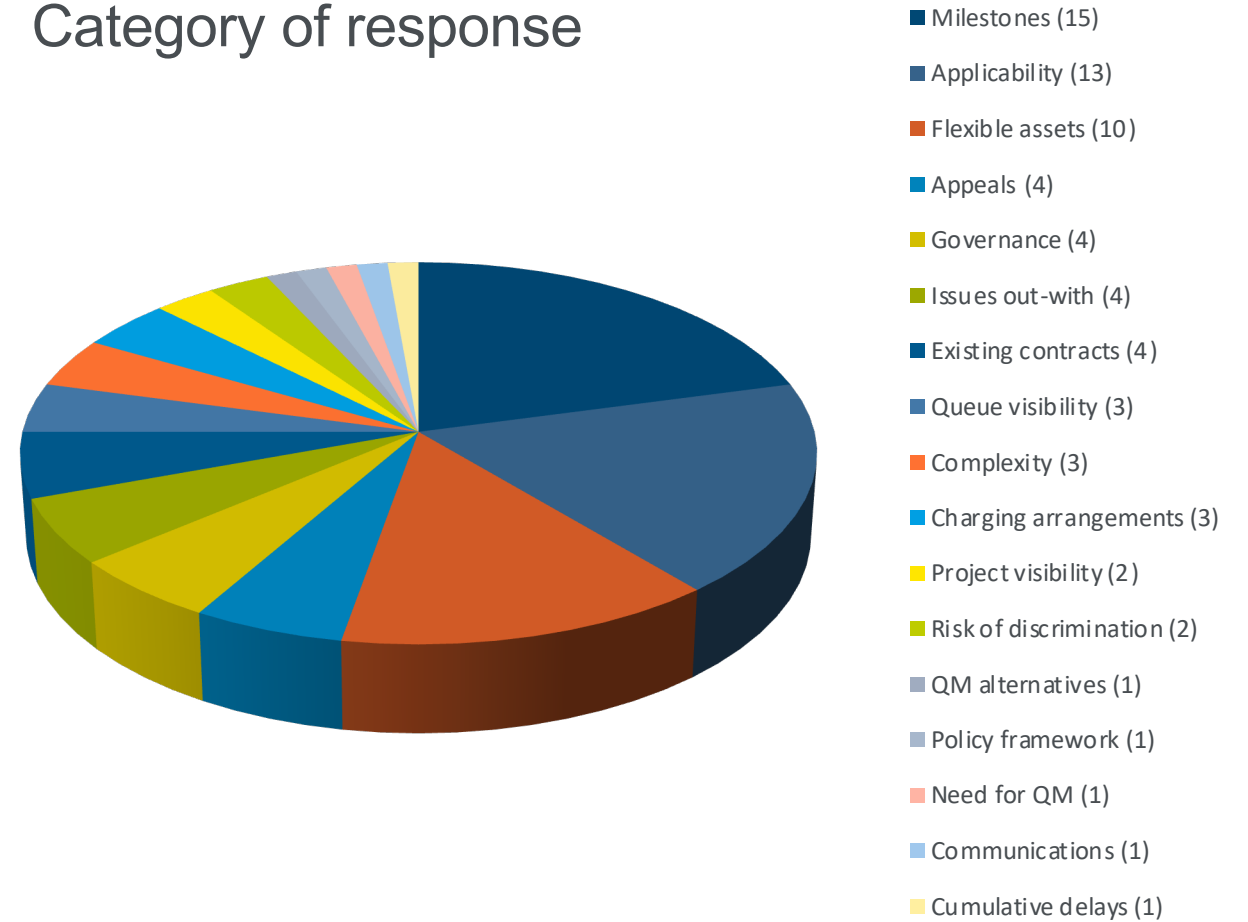
- These slides summarise points raised in the consultation on our Queue Management User Guide that closed on 24th June 2020.
- Many points were raised and these are covered in detail in the following slides.
- The feedback has been used to shape the User Guide which has also been published in December 2020. The key changes to the User Guide are:
 - A simpler approach to Queue Management that doesn't include an "At risk" status where projects can be moved down a connection queue.
 - Changes to the Tolerance and the Cumulative Delay mechanisms.
 - Changes to provide greater leniency where projects are in the construction phase and close to project completion.
 - Further explanation of individual milestones and how they are sequenced.

Overview of Responses to the June 2020 consultation

We received 11 responses to our June 2020 consultation covering 73 points that we have analysed and considered.

Category of response

List of respondents		
BUUK Infrastructure	Citizens Advice	EDF Energy
Energy Systems Catapult	Highview Power	Innogy Renewables UK
Leep Electricity Networks	Statkraft UK	
TUSC Ltd	Wind 2 Ltd	



Key Messages

- **Milestones** – additional clarity has been included to ensure that customers have a clearer understanding.
- **Applicability** – additional clarity on the scope of QM and its applicability has added.
- **Flexible resources** – some responses queried how future market arrangements would work and these have been raised with the Steering Group for consideration in the 2021 PID.
- **Appeals** – the group is not proposing any changes to existing industry appeals processes however, additional clarity has been included.
- **Governance** – clarity was sought on the governance process would work however, as this is a guide there is no formal process. Stakeholders can raise future queries through the ENA who will ensure they are addressed via the appropriate industry group.
- **Existing contracts** – Can the new approach apply to existing contracts? Existing, accepted projects will be subject to specific contract terms and conditions so any new process could normally only be applied with the agreement of both parties. This may differ between distribution and transmission.
- **Queue visibility** – clarity was sought on the visibility of parties affected by queues. The Embedded Capacity Register is being developed and will provide customer with greater visibility of queues.
- **Cumulative delays** – this issue has been updated in the guide and links to milestones and issues outside the customers control .
- **Out of scope** – some responses were either outside of the remit of the project or Open Networks generally and have been raised with the Steering Group.

QM Consultation

Headline issue	Consultation Response	Group Response
Out of scope	<ol style="list-style-type: none"> 1. Would milestone payments be paused in the case of unforeseeable delays? 2. What happens if a customer takes legal action for damages when losing their queue position? 3. The guide needs to ensure reasonable and equitable access to electricity networks. 4. How will this affect the overall charging arrangements and the re-distribution of assessment and design fees? 	<ol style="list-style-type: none"> 1. This would be considered by individual network companies and may depend on the accepted contract and site specific circumstances. 2. This would be dealt with internally by network companies and is out of scope of the QM project. 3. Access is a separate Ofgem initiative being developed under the Significant Code Review. 4. The methodology for charging is covered within DCUSA & CUSC and remains unchanged. A&D fees are out of the scope of the QM project.
	<p>A number of responses raised queries about future market arrangements for the promotion of flexibility in queues such as:</p> <ol style="list-style-type: none"> 5. How does this process interact with other local flexibility tender processes? 6. Evidence should be required before promotion or this may be a disadvantage to others over which the flexible generator is allowed to advance. 7. Would like to understand how different storage units could “compete” in the queue especially if these have different durations. 8. More clarity is needed on how more flexible connections could be implemented and how the flexibility would alleviate the specific constraint. 	<p>The promotion of flexible assets in an Ofgem action from the Smart Systems and Flexibility Plan.</p> <p>Whereas these issues are out of scope the Steering Group will consider the points raised as part of future work 2021 on market arrangements</p>
	<ol style="list-style-type: none"> 9. TEC Amnesty - If there is a queue, then the Cancellation Charge Secured Amounts from the relevant parties will exceed the total sum required to secure the connection and reinforcements. 10. Connect and Manage - A connect and manage approach would connect a party at the back of the queue, when it is ready to do so, and if all other parties subsequently do connect at their contracted capacities, then constraint management would be implemented. 	<p>The action on the group is to develop a consistent approach and TEC Amnesty and Connect & Manage are predominately transmission concepts and are not being considered by distributors as part of a consistent approach.</p>

QM Consultation

Headline issue	Consultation Response	Group Response
Milestones	<p>Some respondents appeared unclear about how milestones work and requested:</p> <ol style="list-style-type: none"> 1. they should not all count forward from offer acceptance; or 2. they should count back from the date of connection. 3. subsequent milestones should be adjusted to accommodate additional time for M1 & M2 (IPP & SPP). 	<p>The group has considered the responses:</p> <ol style="list-style-type: none"> 1. Only M1 to M4 count from offer acceptance: <ol style="list-style-type: none"> i. They can be initiated earlier by the customer; and ii. Changes are being considered to allow M1-M3 to begin from completion of M4 2. Different milestones are set from different key points, e.g. M6 is set from achieving planning consent, which influences the later milestones. 3. Milestones are based on a project proceeding as planned and tolerances introduce additional time. Changes are being considered with respect to tolerances.
	<p>Can timescales be changed or adjusted</p> <ol style="list-style-type: none"> 4. Timescales don't align with large housing developments. 5. Will there be a formal process to request extensions? 6. M1 & M3 (IPP & SLR) are difficult to achieve for projects requiring EIA or DCO projects. 7. M2 (SPC) does not allow additional time to achieve planning, e.g. >50MW project, particularly in Scotland 8. Can allowance be built in for a 2nd planning application? 	<ol style="list-style-type: none"> 4. Milestones were originally developed with one-off generation projects in mind. How these could apply to sites with multiples connections is being considered. E.g. M8 'Project construction' could be achieved when the first connections are completed. 5. Other than issues outside the customers control a formal process to request extensions is excluded from the guide as this would dilute the purpose of milestones. 6. M1 to M3 can be initiated before acceptance if the customer anticipates difficulties with their project. Bespoke timescales can be agreed for DCO projects and this is in the guide. 7. One of the actions on the working group is to produce a consistent guide therefore regional variations are not possible. 8. A second planning application means M2 has been failed and the project cannot proceed.

QM Consultation

Headline issue	Consultation Response	Group Response
Applicability	<p>Further clarity is needed on the scope of QM application</p> <ol style="list-style-type: none"> 1. Is QM is required where there are no constraints or where the connection characteristics are such that it is disproportionate to apply such an administrative burden (one-off connections). 2. If QM were to be applied at transmission, a CUSC change would be the way forward. 3. Concerns over the application of QM to large transmission-connected projects which are delayed due to circumstances outside the developers' control. 	<ol style="list-style-type: none"> 1. QM is not specifically associated with constraints and is intended to free up capacity where a project in the queue fails a milestone and cannot proceed. 2. For transmission projects, a CUSC change is being discussed by the group. 3. This is already covered under section 11 'Issues out with a customer's control'.
	<p>Misunderstanding/clarity required</p> <ol style="list-style-type: none"> 4. Does the project have the powers to apply the policy or guides to IDNOs. If this is intended, it should be raised as a change to the DCUSA and applied to all distributor parties which would enable IDNOs (and others) to engage through the working group. 5. Respondent was unclear which party M3 (LR) applies to. It appears to indicate that it applies to customers who act as owners/occupiers of premises and not connections to other distribution systems are excluded. 	<ol style="list-style-type: none"> 4. The action on network companies is to produce a QM guide and won't have any legal status. Any CUSC or DCUSA change would only apply subject to the standard industry governance process. IDNO representatives are part of the Steering and Products group. 5. Additional clarity has been drafted for all milestones. M3 requires the applicant to demonstrate they are the owner or occupier or that they have an agreement with the owner/occupier. It can apply to connections to other distribution systems who should already have standard processes in place to secure land rights on sites where they adopt the assets.

QM Consultation

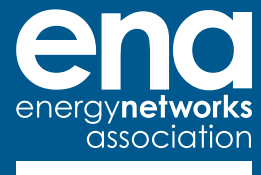
Headline issue	Consultation Response	Group Response
Flexibility	<p>Further clarity is required</p> <ol style="list-style-type: none"> 1. What would happen if a “flexibility project” that has enabled another project to be advanced is delayed such that it is not commissioned when the second project completes? 	<ol style="list-style-type: none"> 1. Additional clarity has been drafted however, there are 2 potential scenarios: <ol style="list-style-type: none"> i. ‘Flex’ project is delayed, i.e. it will still achieve the milestone within tolerance. The second project would have their export limited to any existing available headroom until the ‘flex’ project is complete. ii. If the ‘Flex’ project delays to the extent that it fails a milestone then it will be terminated. The second project will return to their original queue position subject to completing the relevant milestones. <p>The mechanisms to achieve this will be considered as part of future work on market arrangements.</p>
Appeals	<ol style="list-style-type: none"> 1. What would happen while appeals are considered? An appeal should not be a mechanism to delay capacity re-allocation, but re-allocation ahead of an appeal decision could be problematic. 2. Section 13 the document refers to the escalation procedures set out in the CCCM. The CCCM is set out in DCUSA and subject to the open governance arrangements but there are no clear escalation or appeals processes set out within this document. 	<ol style="list-style-type: none"> 1. If a project fails a milestone it will be terminated and will lose its queue position. If the customer disputes the reason for the termination of the connection offer, they may be able to refer that dispute to GEMA for determination. In such circumstances, the customer will still lose its position in the queue and the network company will comply with such practice and procedure as GEMA may consider appropriate in respect of that determination. 2. The guide has been updated and a link to Ofgem’s website has been added which provides additional clarity.
Governance	<ol style="list-style-type: none"> 1. Some respondents requested clarity on the governance process for the guide. 2. What governance is in place to allow this policy framework to be implemented with all IDNOs? Given that not all IDNOs are ENA member’s what voting rights will they have on this policy? 3. How can the guide be finalised before a modification workgroup have had the opportunity to consider the proposals. 	<ol style="list-style-type: none"> 1. As this is a guide there is no formal governance process however, stakeholders can propose a change through the ENA who will request an appropriate sub group to review it. 2. CUSC and DCUSA mods are being considered, which have established governance processes. As a guide there is no formal governance therefore no voting rights however a change can be proposed via the ENA which can typically lead to a consultation to seek stakeholder views. 3. The Open Networks PID requires the QM group to produce a guide but doesn’t obligate a formal modification route. It is standard ON practice for guides to be finalised before being submitted through the established governance process, e.g. DCUSA and CUSC.

QM Consultation

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Existing contracts	<ol style="list-style-type: none"> 1. A QM guide should not be produced without assessing the benefits of applying QM to existing contracts and how this can be achieved. 2. Will the new approach will apply retroactively as this will require code changes which have not been raised yet. 	<ol style="list-style-type: none"> 1. New QM provisions can only be applied to existing construction agreement with the agreement of both parties as existing project will be subject to accepted terms within any agreement. 2. A CUSC modification is being discussed by the group.
Queue/Project visibility	<ol style="list-style-type: none"> 1. Can queue lists be published so that users are clear exactly which parties will be affected? 2. Is there evidence of queues at transmission with new generation capacity being locked out? 3. What transparency of milestones might be made available to those in queues? This would enable decisions on either staying in the queue or cancelling the project. 4. Users may apply for grid connection later such that NetCos do not have good foresight of the project pipeline and networks are not reinforced on time. 	<ol style="list-style-type: none"> 1. The embedded capacity register is being developed and will indicate if a customer is in a queue. 2. Network companies are compiling data on the size of queues. 3. The embedded capacity register will provide greater visibility of queues. Confidentiality restrictions may prevent network companies from providing transparency of other queue members milestones. 4. User should apply for the connection when they are in a position to accept and proceed, or reject the offer. Network companies are not able to speculate on the potential need for reinforcement.
Charging arrangements	<ol style="list-style-type: none"> 1. Where a customer is moved down the queue and their connection requires reinforcement, how are costs going to be charged to that customer (compliant with Section 19 of the Electricity Act)? 2. The penalty for termination may be very significant, especially for transmission connections. These penalties should not be enforced where the developer is proactively seeking to build out the project to the contractual dates and may have failed to meet the tolerance on a milestone. 	<ol style="list-style-type: none"> 1. The QM process has been simplified such that if the project fails a milestone (and any applicable tolerance) it will be terminated and not moved down the queue. If they wish to re-apply they will be quoted in accordance with the CCCM or CUSC. 2. If a project fails a milestone then the project cannot proceed as planned and will be terminated unless they can demonstrate the issue is outside of their control.

QM Consultation

Headline issue	Consultation Response	Group Response
Risk of discrimination	<ol style="list-style-type: none"> 1. Different planning approaches across devolved administrations need to be considered (there is no defined statutory determination date in Scotland for Section 36 applications). 2. The tolerances for transmission sites in Scotland could be significantly shorter than transmission connection tolerances within England and Wales. Recommend that Table 1 is amended to ensure that transmission sites in Scotland (132kV) are able to benefit from the longer tolerances. 	<ol style="list-style-type: none"> 1. One of the actions on the working group is to produce a consistent guide therefore regional variations across devolved administration is not possible. 2. The group has previously considered and rejected this amendment 132kV will remain as a transmission category to ensure a consistent approach.
Policy framework	<ol style="list-style-type: none"> 1. Changes were introduced a few years ago whereby DNO's can retract any unused capacity. What improvements have been observed as a result of this change in line with the goals of creating economical, sustainable and efficient networks? 	<ol style="list-style-type: none"> 1. This was DCUSA change proposal CP114 & 115 and capacity could not be recovered if the user declined the request. Any improvement as a result of that change are outside of the scope of the QM.
Communications	<ol style="list-style-type: none"> 1. Clarity is needed on the communications with the site whose status has become "At Risk" and also with any potential site which could be "bumped up" the queue. 	<ol style="list-style-type: none"> 1. The group has discussed providing more detail regarding communications and decided that it should be down to each network company to develop in order to fit into individual business processes.
Cumulative delays	<ol style="list-style-type: none"> 1. When delays do not result in a delay which would breach the tolerance for the overall project timescales this would undermine those projects who mitigate earlier delays and deliver the project back on track. Cumulative delays could risk viable projects (and the associated investment) being lost. 	<ol style="list-style-type: none"> 1. The guide has been updated to clarify the interaction of milestones and the concept of cumulative delays.



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