



Scottish & Southern
Electricity Networks

SSEN Consultation: Unlocking Orkney's renewable potential

An Alternative Approach

June 2018

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Executive Summary

The Orkney electricity network is currently at full capacity for generation connections and no further generation can connect without significant transmission reinforcement. Due to several factors, such as changes to government policy or technology readiness, the contracted background has fluctuated over recent years and it has not been possible to make the economic case for the transmission reinforcement. This fluctuation has previously made it difficult to demonstrate that the reinforcement is required using the 'conventional' industry approach this results in a catch-22 (as demonstrated in Figure 1) where customers cannot progress their projects because the reinforcement's progression is uncertain; and the reinforcement cannot progress because the customer's progression is uncertain

During the network development phase of the Orkney reinforcement project SSEN engaged with stakeholders to understand the obstacles to connection. Based on this engagement SSEN identified and then consulted upon three main obstacles in March 2018¹.

1. **Fixed capacity queue:** the "first to contract, first in the queue" principle has limited options to move a customer's position in the queue depending on their readiness to connect.
2. **Divided timelines for transmission investment and developers' projects:** in order to make an investment case SSEN first needs commitment from generators; however, generators need commitment from SSEN before they can progress.
3. **Securities associated with transmission works:** as a result of industry rules on the liabilities associated with projects connecting outside the MITS, developers are required to place substantial securities against early termination of their contracts, which are acting as a barrier to customers connecting.

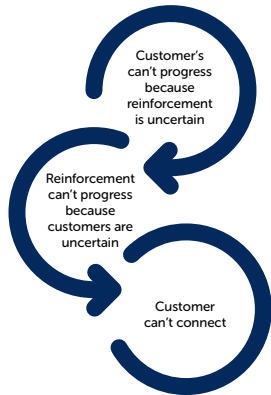


Figure 1: Orkney's catch-22

To overcome these obstacles SHE-Transmission has, in the Needs Case submission to Ofgem, proposed an Alternative Approach to address these obstacles and enable the reinforcement to progress. SSEN's needs case submission to Ofgem is subject to a minimum of 70MW of generation demonstrating commitment to connection. The Alternative Approach is made up of a technical and commercial solution. The technical solution proposed for Orkney is a staged approach to reinforcement, in the first instance making 220MW of capacity available for connection, which has been identified as the most economic and efficient solution and is the focus of SSEN's Needs Case submission to Ofgem². Based on feedback from stakeholders from our Spring 2018 consultation and in line with the aims of the Alternative Approach SSEN has developed the detail of the commercial solution and is seeking views on the developed proposal of:

1. Implementing a 'ready to connect' process which will allow allocation of capacity to those who are ready following the submission of informative delivery plans and by managing those who fail to meet the delivery plans and milestones. This ensures an opportunity will be created for those who are ready to connect
2. Adjusting securities for a period to allow projects to progress, reducing the initial barrier of connection while limiting risk to SSEN and other customers.

The purpose of this consultation is to seek stakeholders' views on the policy development required to implement this commercial solution. Ultimately, it is our aim to create an opportunity for connection which does not currently exist on Orkney by overcoming the blockers faced previously by the project, unlock Orkney's renewable potential, provide valuable experience to the energy industry on alternative arrangements and contribute towards SSEN's sustainability strategy³ to transition to a low carbon economy.

The implementation of the Alternative Approach would require voluntary agreement from customers as well as potential derogations from provisions in the industry codes. Following consultation with stakeholders' SSEN will submit any regulatory approvals required to Ofgem and look to begin implementation in the Winter of 2018/19 (subject to approvals and stakeholder feedback).

¹ Spring 2018 consultation document: <https://www.ssen-transmission.co.uk/media/2570/unlocking-orkneys-renewable-potential.pdf> and feedback report <https://www.ssen-transmission.co.uk/media/2697/ssen-consultation-feedback-updated-sw-270418.pdf>

² This has been identified as an initial 220kV submarine cable solution which will make 220MW of capacity available for connection from October 2022; any subsequent phases will be determined when there is certainty that further projects will proceed to connection.

³ <https://www.ssen-transmission.co.uk/media/2701/sustainability-strategy.pdf>

Introduction

SSEN is seeking views on its policy proposals to enable an 'Alternative Approach' to connect customers on Orkney to the GB transmission network.

The Alternative Approach aims to:

1. **Create an opportunity for customers to connect at the earliest opportunity** - maximise potential for renewable generation and to help meet customers' expectations
2. **Further facilitate economic and efficient development and operation of the electricity network** - ensures the timely and coordinated transmission and distribution investment and maximises use of all available capacity
3. **Ensure a fair, transparent and consistent approach to managing customers' readiness** - transparent and clear arrangements for monitoring and managing customers' readiness to connect
4. **Deliver more equitable security arrangements for customers** - ensure customers do not face a disproportionate burden associated with the significant costs of reinforcement e.g. subsea cable link connecting the island to the mainland

The consultation, is made up of two parts: firstly, seeking views on the 'ready to connect' process designed to ensure that capacity is allocated to customers that are ready to connect; and secondly, seeking views on a proposal to temporarily lower securities and thereby temporarily remove one of the obstacles to connection.

The proposed Alternative Approach is a trial for Orkney only and is subject to regulatory approval and stakeholder feedback. SSEN will share lessons learned with the ENA Open Networks⁴ to allow wider industry learning, and may consider extending the trial to other areas where customers face similar obstacles to connection. As such, we are keen to gather input on our proposals from all stakeholders with an interest in connections.

General information

Issued: 29 June 2018

Respond by: 29 July 2018

Enquiries to

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Consultation Events:

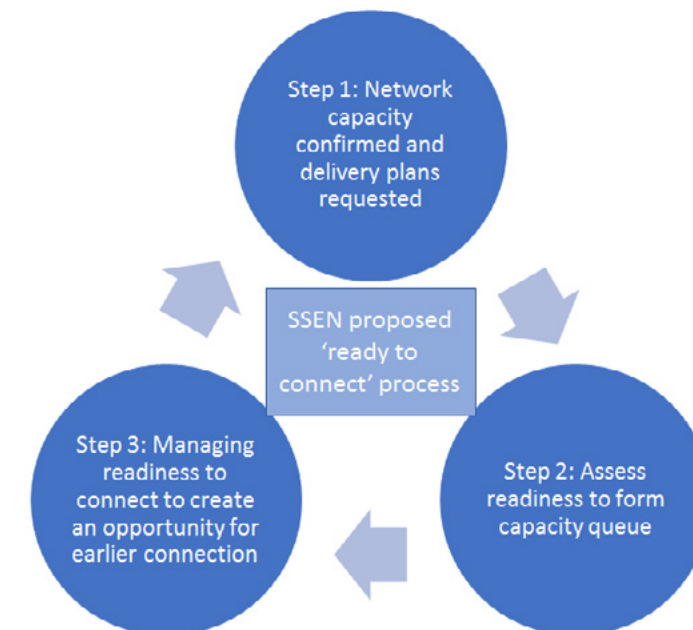
SSEN will be hosting three consultation events to engage with stakeholders on the content of this consultation - please get in touch if you would be interested in attending on any of the following dates.

Orkney	Orkney	Glasgow	Webinar
11 July, 18:00-20:00 St Magnus Centre, Kirkwall	12 July, 10:00-12:00 St Magnus Centre, Kirkwall	13 July, 10:30-12:30 Double Tree by Hilton Glasgow Central, 36 Cambridge street, G2 3HN	17 July, 10:00-12:00 Online

⁴ <http://www.energynetworks.org/electricity/futures/open-networks-project/>

Part 1: The 'ready to connect' process

In order to address the 'fixed capacity queue' barrier to connection on Orkney, SSEN is proposing to implement a 'ready to connect' process. Following feedback from SSEN's spring 2018 consultation a three-step ready to connect process has been identified as follows:



1. **Network capacity confirmed and delivery plans requested:** Every six months SSEN will review the network for available capacity and request delivery plans from developers.
2. **Assess readiness to form capacity queue:** SSEN will use the information from delivery plans to form a new capacity queue based on those who will be ready to connect.
3. **Managing readiness to connect to create an opportunity for earlier connection:** The delivery plans will be incorporated into developers' connection contracts. Developers who are not ready to connect will be managed and moved down the queue. Thus, creating an opportunity for those who are ready to connect earlier.

The process then re-starts on a continuous cycle until phases one and two of the reinforcement are complete⁵

We have set out further details on the requirements for customers arising from each step of this process including examples in the following pages.

Step 1 - Network Capacity confirmed and delivery plans requested

Step 1 of the six-monthly process is about determining the network capacity available and requesting delivery plans from developers.

⁵ In line with the proposed trial criteria - Commercial requirements: The trial will apply to all contracted customers across Transmission and Distribution who are not already connected as of January 2019

Step 1 A: Available network capacity confirmed

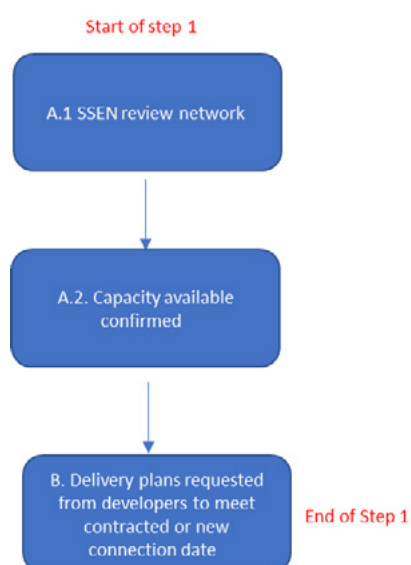
The first stage is for SSEN to assess the current network capacity that is available internally at both a transmission and distribution level and the timing of when that capacity is available - this could include flexible connection solutions available or capacity made available in the queue by those who are not ready.

Step 1 B: Delivery plans requested

Once available network capacity has been confirmed, SSEN needs to understand all developers⁶ realistic connection dates to ensure capacity available on the network is utilised at the earliest opportunity; this information will be requested from developers in the form of delivery plans.

In addition to providing a delivery plan that sets out the projects ability to meet the current contracted connection date it is proposed that a developer will also be given an opportunity to submit an alternative delivery plan for a new connection date which may be earlier or later than their currently contracted date.

Developers may also choose to reduce or split capacity over more than one delivery date e.g. proposing initial allocation of capacity at an earlier date followed by additional release of capacity at the current planned date.



Milestones

Delivery plans will include a range of milestones and associated evidence requirements that customers will provide to show progression towards contracted delivery dates.

Following feedback from stakeholders and further SSEN review against the aims of the proposed Alternative Approach, we have proposed amendments to existing Energy Network Association (ENA) milestones⁷ to ensure they are reasonable, relevant and proportionate to the challenges faced on Orkney.

The proposed progression milestones to be included in delivery plans are those which SSEN have assessed to be critical in assessing a project's readiness to connect throughout the project's development and execution phase (applying to both transmission and distribution customers). The milestones and the justification for each milestone are set out below

Milestone	Justification
Project studies start	<p>Project studies are critical to achieving planning permission. Feedback from stakeholders during the consultation process endorsed an earlier milestone for pre-planning tasks on Orkney given environmental and planning challenges.</p> <p>SSEN has therefore proposed a new (non-ENA) milestone to provide an earlier demonstration of the customer's commitment to connect on time which includes. Project studies include: community engagement, identifying land owners and placing statutory community notices and agreeing contracts with consultants to carry out necessary studies.</p>

⁶ Developers will be contracted parties across transmission and distribution in line with the trial criteria

⁷ <http://www.energynetworks.org/news/press-releases/2016/april/ena-launches-consultation-on-new-connections-milestones.html>

Initiate planning permission	<p>Planning permission being submitted is a significant commitment from developers to demonstrate their readiness to connect.</p> <p>This milestone forms part of the ENA progression milestones. Feedback from our consultation also endorsed this milestone emphasising planning permission is critical to progression.</p>
Planning permission secured	<p>Planning permission being secured is a significant milestone in a developer's plan to meet their connection date.</p> <p>This milestone forms part of the ENA progression milestones. Feedback from our consultation endorsed this milestone and emphasised that planning permission is key to a project's progression⁸.</p> <p>We have accounted for uncertainty that can arise through planning appeals and challenges with our 'tolerance proposal' which is set out on page 11.</p>
Order placed for Plant	<p>Once planning permission is secured the next critical stage in a project is securing funding and / or securing plant to make full use of capacity delivered. Based on feedback from our consultation some parties suggested Contracts for Difference (CfD) may be critical to some projects but not all projects may be dependent on a CfD award.</p> <p>SSEN assessed several options for milestones which would demonstrate a project's commitment post planning permission and pre-construction starting. We have proposed that a new (non-ENA) milestone of ordering of plant⁹ would likely only follow funding being secured, irrespective of source of funding. In this way, we ensure there is financial commitment without becoming involved in the detail of the finance which, align with ENA rational, would be inappropriate.</p>
Construction Start	<p>Construction physically starting on site is a critical milestone in the execution stage of a project; demonstrating commitment that the project is going ahead.</p> <p>This milestone forms part of the ENA progression milestones, feedback from our consultation supported this milestone as being key to a project's progression.</p>
Connection energisation	<p>Construction being complete and the connection being energised is the last stage in the project's connection journey and ends the milestone process.</p> <p>This milestone forms part of the ENA progression milestones and feedback from our consultation supported this ENA milestone to demonstrate the connection is complete and allows the final steps to connection to be completed (including progressing adoption agreement which forms a separate ENA milestone).</p>

⁸ This proposal removed the sub categories associated with planning permission such as planning appeal and statutory challenge. SSEN have proposed a tolerance to allow flexibility across all milestones and have therefore proposed a simple planning permission secured milestones.

⁹ Plant would be the generation station for example wind turbine

Question 1

- A. Do you have any comments on the proposed milestones?
B. Do you agree with our decision to introduce new milestones ('Order placed for plant' and 'project studies start' that do not currently form part of the ENA's milestones?
C. Please provide reasons for your answer:

Timescales

The delivery plans provided by each developer would also include a narrative against a standard timescale for delivery for each milestone. The proposed standard timescales have been developed through analysis of publicly available information, timescales proposed by the ENA and responses to our spring 2018 consultations. Timescales would apply across all technology types and projects. The developer would then provide a date within the standard timescales against each milestone in their delivery plan.

The timescales associated with project development milestones, i.e. scoping and planning consent, will work forward from the offer acceptance date to demonstrate a project's commitment to connection. Whereas timescales associated with project execution milestones, such as starting construction and order placed for plant, will work back from the agreed connection date¹⁰.

Each standard timescale is detailed below:

Milestone	Standard timescale
Project studies start	1-4 months from offer acceptance
Initiate planning permission	Non - Environmental Impact Assessment (Non- EIA) - 1-12 months from offer acceptance EIA - 1-24 months from offer acceptance
Planning permission secured	Non-EIA - 1-12 months from submission EIA - 1-24 Months from submission
Order placed for Plant	12-24 months before construction start
Construction Start	18- 36 months before connection date
Connection energisation	N/A

Tolerance allowance

During a project, there can be circumstances that can cause delay that are out with the developer's control. Based on feedback from our Spring 2018 consultation on the need for flexibility, we assessed several options to introduce some tolerance to milestone achievement, whilst ensuring arrangements are transparent and consistent.

SSEN is therefore proposing that each project will have a tolerance allowance of six months (cumulatively) which can be used when there is a delay in meeting any milestone. The tolerance time of six months has been proposed as it is considered to be a reasonable period which could cumulatively cover several potential circumstances impacting a project's ability to meet a milestone. For example, if a planning decision was being appealed or if work became delayed on site due to weather conditions.

Within this tolerance, queue position will not be changed. This tolerance period can be used across any progression milestones, in any circumstance but can only be fully used once per project i.e. if a developer has exceeded its tolerance period and is subsequently moved down the queue a new tolerance period will not be provided for the new queue position.

Example 1 - Project exceeds tolerance

	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Delivery plan milestone			Planning permission Secured							
Real										Planning Permission Secured
Tolerance period	6 Mont hs	6 Mont hs		5 Mont hs	4 Mont hs	3 Mont hs	2 Mont hs	1 Mont hs	0 Mont hs	Queue Management

Example 2 - Project stays within tolerance

	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Delivery plan milestone			Planning permission Secured							
Real					Planning Permission Secured					
Tolerance period	6 Mont hs	6 Mont hs	6 Months	5Mont hs	4Month s	3 Mont hs	3Mont hs	3Mont hs	3 Mont hs	

Question 2

Do you have any comments on the proposed minimum and maximum timescales which will be applied to each milestone?

Question 3

To ensure our policy is applied in a way that is transparent and consistent, SSEN intends to apply a tolerance of 6 months for all projects

- A. Do you agree that a tolerance period is necessary?
B. Is six months an appropriate period of time?
C. Do you agree that projects that exceed their tolerance and are placed in a new queue position should not be granted any further tolerance period?

Example Delivery plan pro-forma and proposed milestones

The table overleaf outlines the proposed delivery plan pro-forma which existing contracted customers and new customers will be asked to complete. This will then form part of the modifications to the connection offer.

Proposed dates and capacity for a fictitious project have been used to complete the table to help demonstrate how the process would work. In this case the project applied for a connection in July 2018 and has a contracted connection date of October 2026 but has subsequently submitted an accelerated plan to achieve a connection in March 2023:

No	Milestone	Explanation	Evidence Required	Standard timescales (min and max)	Delivery Plan to meet contracted date (October 2026)	Delivery Plan to meet new connection date (March 2023) for a min. cap (10MW)	Evidence presented
1.	Project studies start	Before planning permission is initiated there are several tasks which a developer must be able to demonstrate have started (or are not applicable for the project): <ul style="list-style-type: none">Any environmental studies or data requiredLand owners identified for land rightsCommunity engagement started	Developers should provide evidence to demonstrate: <ul style="list-style-type: none">Contracts have been placed with consultants to start studiesCommunity engagement has startedLand owners have been identifiedStatutory community notices placed ORThe above is not applicable	1-4 months from offer acceptance	October 2018	October 2018	
2.	Initiate planning permission	A developer must submit their planning application to the relevant authority.	Receipt of planning application from relevant authority.	Non - Environmental Impact Assessment (Non- EIA) - 1-12 months from offer acceptance EIA - 1-24 Months from offer acceptance	July 2019	July 2019	
3.	Planning permission secured	A developer has secured planning permission from the relevant authority.	<ul style="list-style-type: none">Planning decision notice orPlanning decision is made (minutes of committee meeting available) if the notice hasn't yet been issued)	Non-EIA - 1-12 months from submission EIA - 1-24 months from submission	July 2020	July 2020	
4.	Order placed for Plant	Demonstrating that an order has been placed for the developer's chosen plant (for example wind turbine)	Developers should be able to demonstrate: <ul style="list-style-type: none">Evidence that an order has been placed for the developer's chosen technology (for example wind turbine manufacturer) this could be evidenced by a letter provided from turbine supplier outlining the timelines for deliveryEvidence of why the above is not applicable	12-24 months before construction start	April 2024	July 2020	
5.	Construction Start	Construction has physically been started on site in line with the project's construction plan	Evidence that construction has started on site. For example, a photo of works being started or written confirmation that works have started or evidence that a contractor has been selected and mobilised on site.	18- 36 months before connection date	April 2025	July 2021	
6.	Construction complete	Construction complete and all applicable documentation is in place. For example: Land rights, adoption agreement, G59 witnessing completed.	Evidence that all conditions have been met under G59 and are complete to allow the connection to be energised	N/A	October 2026	March 2023	

*columns shaded in blue to be completed by the developer

Step 2 - Assess readiness to form capacity queue

Using the information provided in developers' delivery plans SSEN will assess developers' ability to meet contracted connection dates. In turn, this allows SSEN to form a connection queue and future connection queue which reflects each developer's readiness to connect:

- The **connection queue** will be made up of projects able to use capacity identified on the network and confirmed as part of the first step in the 'ready to connect' process. For example for the Orkney reinforcement which will make 220MW of capacity available the connection queue consists of customers that will connect to the phase 1 reinforcement
- The **future connection queue** will be formed based on those awaiting available capacity on the network - for example where further reinforcement is required in the future. For example, the Orkney reinforcement future connection queue will include any projects connecting subsequent phases on Orkney.

Example 1:

Eight projects A – H have applied to connect the following capacity to the transmission or distribution networks

Order	Project Name	Capacity
1	A	50
2	B	10
3	C	30
4	D	10
5	E	50
6	F	30
7	G	10
8	H	10

Applying step 1, SSEN has identified 100MW of capacity is available to connect projects in 2022. Under existing rules this would be allocated on a first to contract basis. As such projects A- D would make up the connection queue and the remainder would make up the future connection capacity queue - contracted to connect in 2024.

Connection Queue – 100MW of capacity available			
Order	Project Name	Capacity	Connection date
1	A	50	2022
2	B	10	2022
3	C	30	2022
4	D	10	2022
Future Connection Queue			
5	E	50	2024
6	F	30	2024
7	G	10	2024
8	H	10	2024

However, in this example SSEN has requested delivery plans from all parties and identified that Project A cannot meet a contracted connection date of 2022 and would rather connect in 2024

At the same time Project E has submitted a revised delivery plan which shows that it can connect in 2022.

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022	2024	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024	2022	Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

Project A (50MW) is due to connect in 2022 but is not ready to connect and the project is delayed.

Project E (50MW) has a connection date of 2024, but has demonstrated that it is ready to connect earlier in 2022.

The 'ready to connect' process can now be progressed to ensure that the most efficient allocation of capacity is realised. This will allow Project E (ready to connect) to move up the queue and will move Project A (not ready to connect) down the queue.

The example above is designed as a simple illustration. Further detailed examples can be found in Annex 2.

When submitting a delivery plan, developers will be able to request changes to their connection date and/ or connection capacity. In order to manage such requests, SSEN proposes that the following rules will apply:

- If a customer requests a **later connection date**, the developer will move down the queue to reflect their newly requested connection date. Any liabilities and securities may be amended to reflect any changes to the relevant works associated with their connection as explained below.
- If a customer requests an **earlier connection date**, the developer may move up the queue (at the minimum or contracted capacity stated in their delivery plans) if:
 - there is capacity available and;
 - the earlier connection date is achievable from the distribution and transmission network operator's perspective i.e. all reinforcement and connection works can be completed in time.
- If **multiple projects** request the same new connection date at the same time priority will be given to each customer in order of their position in the existing queue i.e. the first in the queue will be given first opportunity to move up the queue, then the second etc.
- If the developer has chosen to **reduce or split their capacity** across multiple phases of a project an individual delivery plan will need to be provided for each phase of the connection and each phase will be given an individual queue position. The same process will then be followed for each phase.

If a different connection date has been requested (either earlier or later) or capacity has been changed (either reduced or across multiple phases) any liabilities and securities will be amended to reflect any changes to works associated with the new connection date dependent on queue management rules (see step three- managing readiness).

Question 4

In addition to measuring developers progress against contracted connection dates, SSEN's ready to connect process allows developers to provide revised delivery plans that evidence ability to connect earlier, later and to reduce or split capacity. Do you support SSEN's process for managing such requests as set out above?

Step 3 - Managing readiness to create an opportunity for earlier connection

Once the new capacity queue is formed, developers will then be managed against their progression milestones on a continuous basis by contract managers. Ensuring that the way in which the queue is managed is effective yet fair is critical. In line with this, SSEN has proposed that any project not ready to connect will move down the queue. If any other project is ready to connect earlier, they will move up the queue.

Example 1. Continued

Applying the ready to connect process to our previous example - Project A is not able to connect on the contracted connection date and has exceeded the tolerance of 6 months and Project E has identified that it can connect on an earlier date (2022)

- Project A will therefore move down to the future connection capacity queue,
- Projects B-D will move up in the connection capacity queue to take up the space of project A and
- Project E joins the connection capacity queue in position 4 with an earlier connection date

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022	2024	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024	2022	Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

Once the new capacity queue is formed, developers' delivery plans will be incorporated into their connection contracts resulting in new progression milestones and delivery dates associated with their project and if applicable, their varied connection date. Securities and works associated with the project may also be varied depending on whether their queue position was retained.

As a result, the connection capacity queue and future connection capacity queue now look like this.

Projects B-D are shifted up in the capacity queue to fill the space made by Project A

Project E moves into position four in the capacity queue, with an earlier connection date, varied works and securities.

Project A moves into the space created by Project E in the future connection capacity queue, With varied works and liabilities

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	B	10	2022		Yes
2.	C	30	2022		Yes
3.	D	10	2022		Yes
4.	E	50	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	A	50	2024		Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

Example 1 is a simple illustration to demonstrate the principle of the 'ready to connect process'. (Further detailed examples can be found in Annex 2).

Overall the following rules will apply when managing projects against milestones.

- **Where a milestone is missed and another project is ready to connect earlier:** In accordance with the aims of the Alternative Approach, SSEN is proposing that:

A project that is not ready to connect and is outside the tolerance allowance (as explained above) will move down the queue. If another project is ready to connect earlier, that project will move up the queue. The project that is not ready to connect will move down to a later connection date with varied works and securities (if required) into the space that is created by the project moving up.

This proposal creates an opportunity for connection and capacity to be utilised at the earliest opportunity, whilst ensuring this is not to the detriment of other projects in the capacity queue who are ready to connect at their existing connection date. The above proposal is demonstrated in the examples below.
- **Where a Milestone is missed but no other project is ready to connect earlier:** The above proposal assumes there is another project that is ready to connect and wishes to accelerate their connection date. If a project is not ready to connect and no one else is ready to connect, SSEN considered several options and is proposing that:

If no other project is ready to connect, the project that is not ready will be placed at the bottom of the queue that it has securitised against (see Annex 2, example 2)

This is to ensure that the policy applies to all projects that miss their milestones regardless of whether another project is ready. The project will remain in the connection queue to ensure there is still an opportunity for connection but not to the potential detriment of other customers. Remaining in the connection queue means that works and securities will remain the same taking into account the project's new connection date¹¹.

Question 5

There may be instances where multiple projects request the same new connection date - do you agree that under these circumstances priority should be given to customers on the basis of their position in the existing queue?

Regulatory and legal basis for implementation of the 'ready to connect' process

The Alternative Approach proposed by SSEN plans to introduce new commercial arrangements that would allow those ready to connect to make full use of capacity available, avoiding the risk of stranded assets and further facilitating economic and efficient development and operation of the network. SSEN has considered different options for implementing the Alternative Approach, including options to ensure that existing contracted customers can be brought in to the process.

Having reviewed the Electricity Act and the Transmission and Distribution Licences, it is our opinion there are no provisions that explicitly prevent SSEN from implementing the Alternative Approach.

One of the key requirements for implementing new arrangements is the ability to amend existing contractual arrangements in relation to obligations to provide delivery plans and introduce new queue management arrangements. SSEN views this as a contractual matter between the licensee¹² and each individual customer and contracts would therefore need to be varied by agreement between the relevant contracting parties.

Securities and queue management

If developers are not ready to connect they will move down the queue which could result in a change of works required and in turn securities to be provided. If developers are able to move up the queue then this could result in a change to the securities to be provided. Ensuring that liabilities and associated securities can be varied is therefore a crucial element to this policy. As it stands the current securities methodology allows developers to opt for fixed or variable securities. Fixing liabilities will provide a degree of certainty over the predicted risk. Variable liabilities will expose the developer to actual spend over the biannual security period¹³.

It is SSENs' view that variable liabilities are essential to enable active queue management (such as that proposed in the Alternative Approach) and would require developers to accept variable liabilities

Under existing rules once parties have chosen to fix liabilities they are unable to change back to variable liabilities. With this in mind, SSEN is reviewing the CUSC to consider any necessary derogation from the CUSC to enable this change to be included in it's submission to Ofgem.

¹¹ Subject to arrangements under the CUSC

¹² Dependent on connection arrangements.

¹³ In choosing this option developer will lose the certainty but can benefit from lower than predicted spend (while also being exposed to greater than predicted spend). Larger development project which connect directly onto the transmission system are more likely to fix their securities based on lead times and large capital investment of their project whilst those

Question 6

To ensure that the SSEN policy applies to all projects (regardless of whether another project is ready to move), it is proposed that when a project has missed milestones and exceeded its tolerance period but no other project is ready to advance, that project will be moved down the queue to a position reflecting its connection date, but will not move from the connection queue to the future connection queue, therefore remaining with the same associated works and securities.

Do you agree with SSEN's rule for managing customers against milestones?

Ongoing process and implementation

The three step 'ready to connect' process detailed above has focused on the initial allocation of capacity to form a new queue which will then be managed. Once capacity is allocated the same three step process will repeat every six months to reflect progress made by individual projects and ensure all available capacity is utilised at the earliest opportunity.

Question 7

Do you agree with our view that enabling projects to switch from fixed to variable securities would maximise the benefit of the Alternative Approach proposal?

Question 8

Based on your experience does the proposed timetable of a six-monthly updates on the ready to connect process appear appropriate?

Aligning with industry change

This proposal has been informed by work from the ENA, Scottish Power Energy Network (SPEN) and National Grid Electricity Transmission System Operator (NGETSO) as well as Ofgem's work streams on 'Quicker More Efficient Connections' and 'Unlocking the capacity of the distribution electricity networks'. SSEN is instrumental in the new work stream focusing on queue management in the ENA, Open Networks project. SSEN will share the lessons learned from the trial to inform the potential wider implementation across the industry.

We are mindful of the work being taken forward by Ofgem's Charging Futures Forum to look at reform of the current network access and forward-looking charges. This is a key piece of work, which recognises that changes are needed to the current arrangements to facilitate a more flexible energy system. We are actively engaged in this work and continue to be engaged whilst taking forward our proposed trial on Orkney. SSEN's Alternative Approach would provide a real-life example and test of the initial capacity options outlined in the ENA's forward looking charges report¹⁴. Queue management proposals improve on the 'first to contract, first to connect' approach, primarily for those who can demonstrate they are ready to connect. This removes the need for complex (and potentially expensive) capacity auctions which can disadvantage the smaller developers. Queue management allocates capacity

connecting onto the distribution system tend to opt for variable securities given the smaller size and shorter lead times of their projects.

¹⁴ ENA Open Networks Work Stream 2, Product 5 <http://www.energynetworks.org/electricity/futures/open-networks-project/>

¹⁵ Electricity Network Access & Forward Looking Charges: Final Report and Conclusions, A Report by the Charging Futures Access & Forward Looking Charges Task Forces (May, 2018)

based on timeliness of who can connect rather than the highest bidder thereby facilitating competition in generation for all – it is a more inclusive approach to releasing capacity. Throughout the review of the trial SSEN will review learning and determine how the arrangements can be taken forward as business as usual for implementation GB wide.

Question 9

Do you have any comments on the link between the Alternative Approach to wider industry change? Are there any other initiatives that we should be aware of?

SSEN proposal part 1: 'ready to connect' process conclusion

SSEN's proposed 'ready to connect' process will align timelines for transmission investment and developers' projects by continuously reviewing the network capacity available against delivery plans to understand when developers will be ready to connect. Delivery plans will provide milestone dates to manage readiness against, those who are not ready to connect will be managed to create an opportunity for those who are. The previous obstacles facing the Orkney project progressing, associated with the capacity queue being fixed, will be overcome by the fair, transparent and consistent approach to managing customers' readiness. Overall the proposed approach will break the current catch-22 faced by Orkney customers and create an opportunity for connection for renewable generators which does not currently exist.

Question 10

The implementation of the Alternative Approach, would create the potential for the Orkney project to overcome years of having been caught in a catch-22 position. However, it will require voluntary agreement from customers. With this in mind, are there any issues that would restrict your ability to participate in the Alternative Approach?

Part 2: Temporarily adjust liabilities to provide a window of opportunity

SSEN has sought feedback on the obstacles to connecting on Orkney from local and national stakeholders. One of the significant factors consistently raised was transmission securities¹⁶, caused by:

- Location and Cost: the amount of new infrastructure required due to Orkney lying outside the MITS and;
- Timing: Projects being unable to progress (for example the planning permission secured stage, where securities are then lowered) due to the uncertainty of network reinforcement.

¹⁶ The Scottish Islands Grid Access Study commissioned by the Scottish Government and Department of Energy and Climate Change in 2014 focussed specifically on the challenge of 'underwriting' as one of four barriers to development and the Scottish and UK Governments' Joint Islands Delivery Forum identified a solution to the challenge of 'securities' as one of the key enablers to islands connections

Following further consultation with stakeholders and analysis in comparison to mainland customers, SSEN believes the methodology and principles of cost targeting in this case places an undue burden on Orkney due to the unique location, cost and timing issues faced by connection customers. This section outlines SSENs' consideration of ways to address this obstacle to connection by adjusting the costs passed through to customers (as securities) for a defined period of time to provide customers with a window of opportunity to progress their project. This section also outlines the implementation approach for the securities proposal.

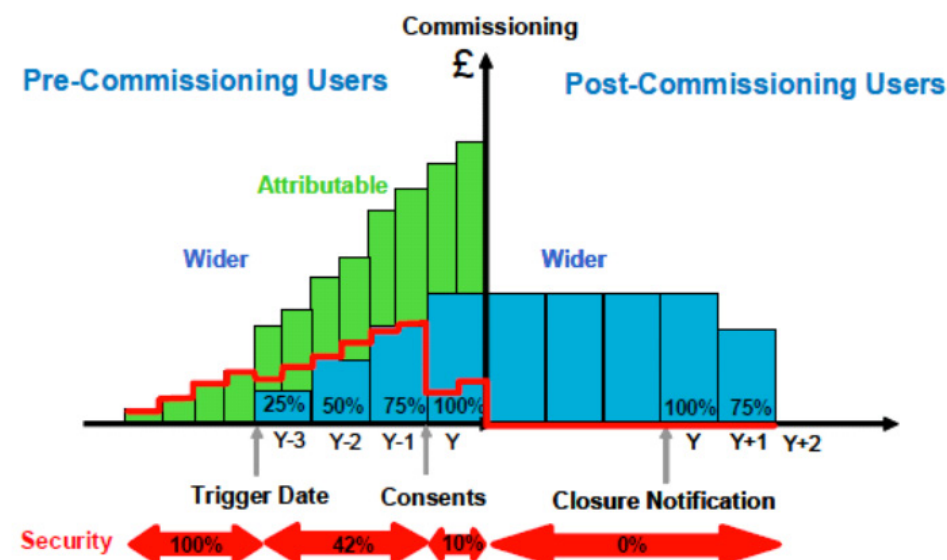
Transmission liabilities and securities explained

When a customer applies for a connection (either at transmission or distribution¹⁷) which requires transmission reinforcement, they are required to provide security for any works that are directly driven by their generation connection. Should that developer terminate their connection offer or subsequently reduce the capacity required, then that security will be used to cover any irrecoverable costs spent to date on facilitating their connection.

Broadly speaking, liabilities represent the total cost of works undertaken by the TO that are driven by a generation customer's connection. These include attributable works as well as wider works required on the system¹⁸. These liabilities associated with the connection increase as the works develop and the Transmission Owner incurs costs (for example leading up to construction).

Securities are used to provide confidence to the Transmission Owner that a project has a legitimate interest in progressing towards connection and protect other customers from the costs that have been incurred should the liable project fall away.

With this in mind, the level of security to underwrite potential liabilities falls as the project becomes more viable and the perceived risk of termination reduces (i.e. when the project gains planning consent and moves closer to their connection date). Securities apply from acceptance and are updated and issued on a six-monthly basis by the NGETSO, based on figures received from the Transmission Owner. This is demonstrated in the diagram below.



National Grid, CUSC Section 15, „Guidance and Implementation Document

Liabilities associated with a connection will increase significantly three financial years ahead of the connection date – known as the 'trigger date' (Y-3).

¹⁷ Having went through the Statement of Works or BELLA/ BEGA process as applicable

¹⁸ As explained below and as set out in section 15 of the CUSC and schedule 9 of the STC

The issue for Orkney

A key issue for all island customers is the methodology used for calculating attributable liabilities. These costs are designed to reflect investment that is directly driven by the connection of new generation, with 100% of the risk placed on generation and not shared with the wider customer base.

Location and Cost: Attributable works are defined in the CUSC as construction works which are required to connect a power station or embedded power station from the connection point (or GSP) to the nearest suitable Main Integrated Transmission System (MITS) node. This results in substantial liabilities being placed on island generators due to the infrastructure required. For example, on Orkney the MITS node is currently located at Dounreay on the Scottish mainland (as shown on map).



The existing methodology was last updated through CUSC modification proposal 192 (User Commitment methodology). During the CMP 192 review it was recognised that island customers were different in that any new 'links' that were built would have a benefit for the island's demand customers by increasing security of supply. However, no policy was implemented to address this issue.

Feedback from our spring 2018 consultation and our internal analysis that has shown projects comparable in size to Orkney that had an impact on the transmission system faced securities that were roughly a quarter of those faced by customers in Orkney have reinforced that securities continue to create a barrier to connection for customers in Orkney.

Timing: Projects being unable to progress (for example progressing to planning permission stage, where securities are then lowered) due to the uncertainty of network reinforcement. Under the current methodology, customers in Orkney who do not have planning permission will be exposed to the full extent of liabilities for attributable works from the 1st April 2019 as they enter into Y-3 as shown on the above diagram.

Question 11

Do you agree that the current securities methodology leads to significant securities for generation customers seeking to connect on Orkney and creates a barrier for some of those parties to gain access to the UK energy markets?

Options for Change

SSEN has assessed alternative options to address the obstacle to connection that these significant securities produce. Overall it is our view that there are three options:

Do nothing: SSEN made a commitment to stakeholders to explore the possible options for addressing the obstacle of transmission securities. Given the significant barrier to connection, SSEN does not consider that doing nothing achieves the objectives of the Alternative Approach.

Change the securities methodology: The securities methodology is agreed through the joint industry governance framework. SSEN's engagement indicates that there is unlikely to be appetite for a universal change to the CUSC given the unique nature of the issues facing Orkney connection customers. SSEN also believes it is important to trial the new arrangements before changes are implemented on an enduring basis.

Temporarily adjust the costs that developers are liable for: This option proposes to work within the regulatory framework to revisit SHE Transmission's expenditure that is passed through to National Grid to form the basis of the security calculation. This is SSEN's preferred option.

Preferred Option

To address the obstacles identified by Orkney connection customers, and facilitate competition in generation across the GB network, SSEN's preferred option is option 3 - to allow SHE-Transmission to adjust the amount of expenditure which is passed through to NGETSO and onto end customers in the form of securities for a one year period.

This is intended to reduce the burden for a sufficient period to allow the projects to progress through planning and secure finance where upon securities will reduce and projects are likely to be in a better position to cover security requirements under the business as usual arrangements.

Following the feedback from stakeholders and the analysis of island customers' proposed liabilities in comparison to mainland customers, SSEN analysed the aspects of the reinforcement which could be considered unique to islands customers²⁰.

Following this analysis, 85 - 95% of the total costs associated with the reinforcement is considered unique to the submarine cable aspect of the reinforcement. It is proposed that the reinforcement costs associated with the unique submarine cable aspects of the reinforcement should not be passed through from SHE Transmission to National Grid and in turn the end connection customers for a period of one year.

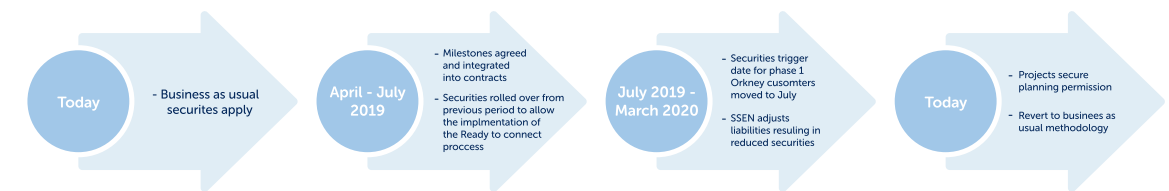
It is important to note that developers would still be required to securitise elements of the transmission works to connect Orkney to the mainland which are not considered unique and any on shore island reinforcement and transmission connection assets for their connection in full. It is also important to note this applies to attributable works transmission securities only, which forms only part of the cancellation charge faced by customer. This does not propose a change to connection charges, which will be under standard industry arrangements.

This adjustment in securities would be time limited (based on our working timetable, from the trigger date of 1 April 2019 to 31 March 2020), providing a window of opportunity for developers to progress projects through planning, secure finance and ultimately revert back to the lower security requirements required under the business as usual approach at a point when security requirements are likely to have reduced as a result of project progression. There are two periods of adjustment:

1. **From April to July 2019:** Upon issuing variations to customers' contracts in Spring 2018 to implement the Alternative Approach previous securities will be rolled over. This has been proposed to allow a reasonable period for customers to consider their contract variations for the 'Ready to Connect' proposal without positing new securities for the Y-3 period. Instead previous securities will be rolled over and the period of time these are held will be extended to July 2019 instead of April 2019.
2. **From July 2019 to March 2020:** Customers will have until July 2019 to post new securities and accept contract variations issued in Spring 2019. July 2019 will become the Y-3 trigger period for phase 1 customers. The amount SSEN passes through to National Grid will be adjusted to remove the unique elements associated with the submarine cable; providing a window of opportunity for customers to progress projects.

²⁰ This analysis considered that the onshore transmission reinforcement could arguably be seen as standard transmission reinforcement comparable to other projects across GB; however, the reinforcement required to connect Orkney to the MITS could be considered unique. Much of these costs are driven by the nature of the AC submarine cable connection to Orkney and specific items associated with the cable (for example directional drilling).

Securities adjustment timeline



Question 12

SSEn's proposed solution provides a temporary relief from full security requirements.

- A. Is the proposed adjusted security period of one year sufficient to allow project to progress through planning and secure finance?
- B. Do you have any other comments on SSEN's preferred approach to securities?

Question 13

- A. Do you support SSEN's proposal that the adjustment in securities will be based on temporarily removing aspects of the reinforcement which could be considered unique to islands customers (equating to around 85 -95% of the subsea cable link reinforcement costs)?
- B. Does this remove securities as a barrier in connecting on Orkney?

Implementation and requirement for derogation for SSEN's securities proposal

The above proposals introduce proportionate arrangements for island customers relative to mainland customers by providing a time period when securities are reduced for one year. This is in line with the connection customer still providing a significant commitment to demonstrate they will proceed to connection.

Following review of the industry codes, SSEN would seek permission as necessary to derogate from the requirements of the code. This would create an opportunity to test the benefits of the Alternative Approach on Orkney rather than seeking permanent change which would have impacts for all customers beyond Orkney alone. SSEN views the obstacles facing Orkney connection customers as unique and as such proposes that a trial, with derogations from specific industry code provisions as required, is the best approach to implement the Alternative Approach. This is as opposed to universal implementation via code modification.

However, SSEN is actively engaged with the wider industry work streams, looking at wider issues associated with queue management and connection charges. We will share lessons learned throughout the trial with these work streams to inform potential wider implementation in other areas of the GB network. The Alternative Approach will provide a real-life example which could highlight issues with regards to the practicality of implementing queue management and securities provisions.

Question 14

To facilitate the Alternative Approach on Orkney within the timeline proposed, changes to existing industry codes may be required. Do you support the use of a derogation rather than seeking permanent change to the relevant codes?

SSEN's proposal part 2: security window conclusion

Following SSEN's analysis of securities facing Orkney customers and stakeholder feedback, SSEN believes that transmission securities place a significant burden on connection customers. To overcome this initial barrier and provide an opportunity for connection, SSEN has proposed to adjust the securities for a period to allow projects to progress.

However, it is important to note that the solution above will only temporarily resolve the securities issue for customers in Orkney. This is being implemented on a trial basis and SSEN will be focussing on reviewing the trial as it develops to consider any potential for wider implementation.

Alternative Approach Proposal - Conclusion

SSEN developed the Alternative Approach to overcome the obstacles facing the reinforcement project and connection customers on Orkney. Following stakeholder endorsement of the development of the Alternative Approach, SSEN's updated proposals achieve the aims of the Alternative Approach:

- Implementing the 'ready to connect' process will allow allocation of capacity to those who are ready following the submission of delivery plans and by managing those who fail to meet the delivery plans and milestones. This ensures an opportunity will be created for those who are ready to connect.
- Adjusting securities for a period will allow projects to progress, reducing the initial barrier of connection while limiting risk to SSEN and other customers.

The implementation of the Alternative Approach overcomes years of the Orkney project being stuck in a catch-22 position; however, it would require voluntary agreement from customers as well as a potential derogation from the industry codes. The Alternative Approach provides developers with the commitment that there will be an opportunity for connection on Orkney and provides SSEN with further commitment from developers that the reinforcement is required. Implementing the Alternative Approach will also provide invaluable learning for the industry on queue management, future connections and network investment.

The Alternative Approach enables the achievement of one of the targets in SSEN's sustainability strategy:²¹ to support the development of local and community renewable energy. Overall the Alternative Approach has the potential to unlock the significant renewable energy resource on Orkney and facilitate the transition to a low carbon economy.

Next Steps

SSEN's next steps for the detailed proposal will follow a targeted communication plan to engage with stakeholders including the Scottish Government, connection customers and wider industry stakeholders. The timeline for the next steps is provided below. Based on feedback received through this consultation exercise we will further refine the

details set out in these proposals.

Alongside this engagement SSEN will continue to engage with the industry through various work streams including the ENA's open networks and the future connection Charging Futures Forum to ensure any lessons learned are fed back in a timely manner.

Following the consultation process SSEN will account for feedback and submit a final proposal to Ofgem by the end of August 2018 including an explanation of any changes to the process described here and any derogation requests. Following receipt of any anticipated required approval from Ofgem, SSEN would look to start the trial by asking developers to voluntarily submit delivery plans in November 2018 and voluntarily agree to contract variations that will formalise the Alternative Approach arrangements within the connection contracts²²; this will allow a new queue to be formed and reflected in contracts by April 2019, with adjusted securities running from April 2019 to March 2020.

As outlined in our spring 2018 consultation²³, the proposed trial applies to Orkney only. In the development of the proposed Alternative Approach SSEN's aim was that the Alternative Approach overcame the obstacles facing Orkney but could also be applied to other remote regions or in a wider GB context. SSEN will continue engagement with other remote area customers who may also face the same obstacles to connection as Orkney connection customers; if the same obstacles are faced SSEN may propose to extend the trial to include these areas, with additional approval being sought from Ofgem if this is the case.

²¹ <https://www.ssen-transmission.co.uk/media/2701/sustainability-strategy.pdf>

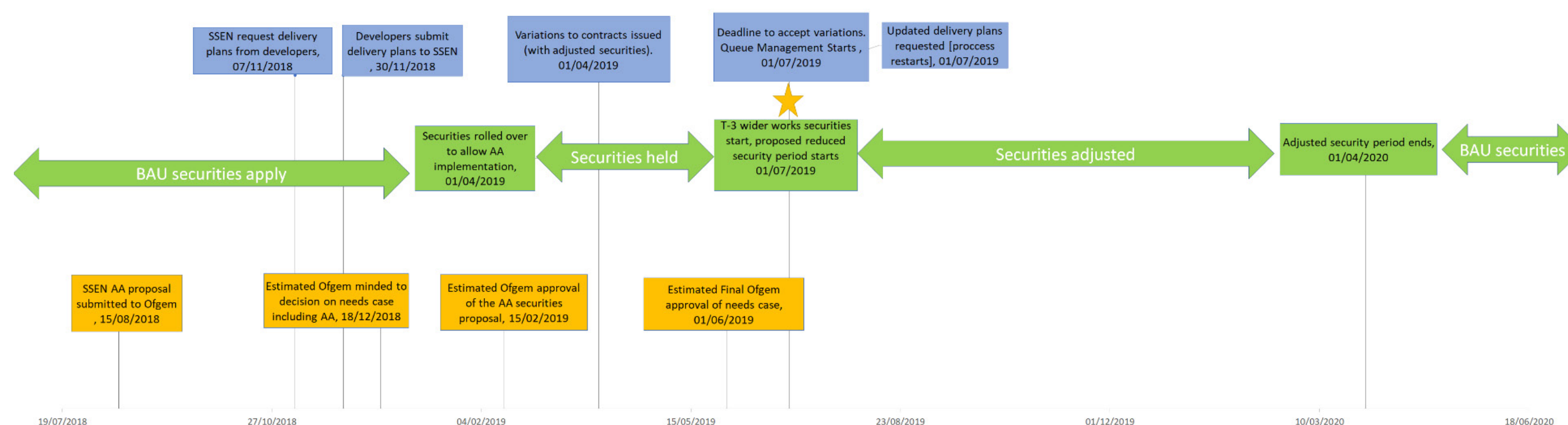
²² Including, as applicable, the Transmission Owner Connection Agreements, Bilateral Connection Agreements and Distribution Offer of Connections.

²³ Proposed trial criteria: Geographic area: Orkney islands. Commercial requirements: The trial will apply to all contracted customers across Transmission and Distribution who are not already connected as of January 2019. Time bound: The trial is expected to commence in early 2019 and run during the first and second phase of the Orkney reinforcement with regular reviews throughout the project.

Annex 1: Proposed timeline

(subject to stakeholder consultation and regulatory approval)

Key:



- Star ★ = Alternative Approach implementation date
- Green = Securities proposal timeline
- Blue = Ready to Connect Process Timeline
- Yellow = Regulatory approval timeline

Question 15

Do you agree with SSEN's proposed timeline for implementation?

Annex 2: Queue Management examples

The following examples are based on eight projects (A-H) who are in the same connection queue, and the three step 'ready to connect process has been delivered as follows

- Step 1 - Network capacity available has been identified as 100MW.
- Step 2 - Developers have submitted delivery plans to allow SSEN to form the 'connection capacity queue' and allocate the 100MW of capacity. Once the available capacity has been allocated the remaining projects are in the 'future connection capacity queue' awaiting capacity to become available.
- Step 3 - Queue positions will then be managed on an ongoing basis (6 monthly).

Example 1: One project delays, one project advances (Equal capacity)

Delivery plans are submitted and projects assessed.

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022	2024	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024	2022	Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

Project A (50MW) is due to connect in 2022 but is not ready to connect and the project is delayed

Project E (50MW) has a connection date of 2024, but has demonstrated that it is ready to connect earlier in 2022.

Delayed and advancing projects are managed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
5.	A	50	2022	2024	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	F	50	2024	2022	Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

The revised connection queue and Future connection queue are confirmed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	B	10	2022		Yes
2.	C	30	2022		Yes
3.	D	10	2022		Yes
4.	E	50	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	A	50	2024		Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

Projects B-D are shifted up in the capacity queue to fill the space made by Project A

Project E moves into position four in the capacity queue, with an earlier connection date, varied works and securities.

Project A moves into the space created by Project E in the future connection capacity queue, With varied works and liabilities

Example 2: One project delays

Delivery plans are submitted and projects assessed.

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022	2023	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024		Yes
6.	F	30	2024		Yes
7.	G	10	2024		Yes
8.	H	10	2024		Yes

In this example Project A (50MW) has missed their progression milestone and the project is delayed until 2023. No other project in the future connection capacity queue is ready to connect earlier until 2024.

Delayed project is managed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
5.	A	50	2022	2023	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024		Yes
6.	F	30	2024		Yes
7.	G	10	2024		Yes
8.	H	10	2024		Yes

Example 3: One project delays, multiple projects advance

Delivery plans are submitted and projects assessed.

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022	2024	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024		Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

Project A (50 MW) is due to connect in 2022 but is not ready to connect and the project is delayed until 2024

Project F, G and H have demonstrated they are ready to connect at an earlier connection date and cumulatively fill the 50MW created by Project A.

Delayed and advancing projects are managed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022	2024	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024		Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

The revised connection queue and Future connection queue are confirmed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	B	10	2022		Yes
2.	C	30	2022		Yes
3.	D	10	2022		Yes
4.	F	30	2022		Yes
5.	G	10	2022		Yes
6.	H	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
7.	E	10	2024		Yes
8.	A	50	2024		Yes

Projects B-D are shifted up in the capacity queue to fill the space made by Project A

Projects F, G and H move into positions 4, 5 and 6 within the capacity queue with earlier connection date, varied works and securities

Project A loses its position in the capacity queue and moves into the space created by F, G and H, in the future connection capacity queue. Project A is now in position 8 with a later connection date, varied works and securities.

Example 4: One project delays and a larger project seeks earlier connection

Delivery plans are submitted and projects assessed.

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022		Yes
2.	B	10	2022	2024	No
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024	2022	Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

Project B (10 MW) is not ready to connect and the project is delayed until 2024

Project F has demonstrated they are ready to connect at an earlier connection date and are happy to accept capacity will be constrained at 10MW to connect earlier.

Delayed and advancing projects are managed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022		No
2.	B	10	2022	2024	Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024	2022	Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024	2022	Yes
8.	H	10	2024	2022	Yes

The revised connection queue and Future connection queue are confirmed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022		Yes
2.	C	30	2022		Yes
3.	D	10	2022		Yes
4.	F.1	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024	2022	Yes
6.	F.2	20	2024	2022	Yes
7.	B	10	2024		Yes
8.	G	10	2024	2022	Yes
9.	H	10	2024	2022	Yes

Projects C-D are shifted up in the capacity queue to fill the space made by Project B

Project F splits its capacity and moves 10MW up to position 4 as project F.1 with an earlier connection date, varied works and securities

The remaining capacity forms Project F.2 (20MW) and retains the same queue position. queue.

Project B loses their position in the capacity queue and moves into the space behind Project F.2 with an earlier connection date, varied works and securities

Example 5: One project delays and a smaller project seeks to advance

Delivery plans are submitted and projects assessed.

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022	2024	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024		Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024		Yes
8.	H	10	2024		Yes

Project A (50MW) is due to connect in 2022 but is not ready to connect and the project is delayed until 2024

Project F has demonstrated they are ready to connect at an earlier connection date of 2022 but is smaller in capacity at 30MW.

Delayed and advancing projects are managed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	A	50	2022	2024	No
2.	B	10	2022		Yes
3.	C	30	2022		Yes
4.	D	10	2022		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024		Yes
6.	F	30	2024	2022	Yes
7.	G	10	2024		Yes
8.	H	10	2024		Yes

The revised connection queue and Future connection queue are confirmed

Connection Queue – 100MW of capacity available					
Position	Name	Capacity (MW)	Connection Date	New Connection Date Request	Ready to connect?
1.	B	10	2022		Yes
2.	C	30	2022		Yes
3.	D	10	2022		Yes
4.	F	30	2022		Yes
4.5	A.1	20	2024		Yes
Future Connection Queue – Awaiting Future Capacity to become available					
5.	E	50	2024		Yes
6.	A.2	30	2024		Yes
8	G	10	2024		Yes
9.	H	10	2024		Yes

Projects B-D are shifted up in the capacity queue to fill the space made by Project A

Project A partially loses its position in the capacity queue, splitting its capacity with A.2 (30MW) taking up the space left by project F in the future capacity queue (benefiting from revised works and securities) the remaining capacity A.1 (20 MW) remains in the capacity queue with a later connection date

Project F Progresses in to the capacity queue in advance of A1 with and earlier connection date revised works and securities

Consultation Questions

Part 1: Consultation Questions

Question 1

- A. Do you have any comments on the proposed milestones?
B. Do you agree with our decision to introduce new milestones ('Order placed for plant' and 'project studies start' that do not currently form part of the ENA's milestones?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don't know ☐

Please provide reasons for your answer:

Question 2

Do you have any comments on the proposed minimum and maximum timescales which will be applied to each milestone?

Question 3

To ensure our policy is applied in a way that is transparent and consistent, SSEN intends to apply a tolerance of 6 months for all projects

- A. Do you agree that a tolerance period is necessary?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don't know ☐

- B. Is six months an appropriate period of time?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don't know ☐

- C. Do you agree that projects that exceed their tolerance and are placed in a new queue position should not be granted any further tolerance period?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don't know ☐

Please provide reasons for your answer:

Question 4

In addition to measuring developers progress against contracted connection dates, SSEN’s ready to connect process allows developers to provide revised delivery plans that evidence ability to connect earlier, later and to reduce or split capacity. Do you support SSEN’s process for managing such requests as set out above?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don’t know ☐

Please provide reasons for your answer:

Question 5

There may be instances where multiple projects request the same new connection date - do you agree that under these circumstances priority should be given to customers on the basis of their position in the existing queue?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don’t know ☐

Please provide reasons for your answer:

Question 6

To ensure that the SSEN policy applies to all projects (regardless of whether another project is ready to move), it is proposed that when a project has missed milestones and exceeded its tolerance period but no other project is ready to advance, that project will be moved down the queue to a position reflecting its connection date, but will not move from the connection queue to the future connection queue, therefore remaining with the same associated works and securities.

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don’t know ☐

Do you agree with SSEN’s rule for managing customers against milestones?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don’t know ☐

Please provide reasons for your answer:

Question 7

Do you agree with our view that enabling projects to switch from fixed to variable securities would maximise the benefit of the Alternative Approach proposal?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don’t know ☐

Please provide reasons for your answer:

Question 8

Based on your experience does the proposed timetable of a six monthly updates on the ready to connect process appear appropriate?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don’t know ☐

Please provide reasons for your answer:

Question 9

Do you have any comments on the link between the alternative approach to wider industry change? Are there any other initiatives that we should be aware of?

Question 10

The implementation of the Alternative Approach, would create the potential for the Orkney project to overcome years of having been caught in a catch-22 position. However, it will require voluntary agreement from customers.

With this in mind, are there any issues that would restrict your ability to participate in the Alternative Approach?

Part 2: Consultation Questions

Question 11

Do you agree that the current securities methodology leads to significant securities for generation customers seeking to connect on Orkney and creates a barrier for some of those parties to gain access to the UK energy markets?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don’t know ☐

Please provide reasons for your answer:

Question 12

SSEs proposed solution provides a temporary relief from full security requirements.

A. Is the proposed adjusted security period of one year sufficient to allow projects to progress through planning and secure finance?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don't know ☐

B. Do you have any other comments on SSEN's preferred approach to securities?

Question 13

C. Do you support SSen's proposal that the adjustment in securities will be based on temporarily removing aspects of the reinforcement which could be considered unique to islands customers (equating to around 85 -95% of the subsea cable link reinforcement costs)?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don't know ☐

D. Does this remove securities as a barrier in connecting on Orkney?

Please provide reasons for your answer:

Question 14

To facilitate the Alternative Approach on Orkney within the timeline proposed, changes to existing industry codes may be required. Do you support the use of a derogation rather than seeking permanent change to the relevant codes?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don't know ☐

Please provide reasons for your answer:

Question 14

Do you agree with SSEN's proposed timeline for implementation?

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐ Don't know ☐

Please provide reasons for your answer:

Notes

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