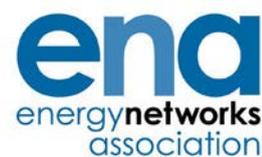


**The Voice of the Networks**



# **Energy Networks Association**

**Fair and Effective  
Management of DNO  
Connection Queues:  
Progression Milestones**

**April 2016**

## 1. Purpose and Objective

- 1.1. The purpose of this consultation is to seek the views of wider industry stakeholders on queue management milestones drafted by the Energy Network Association's (ENA's) Distributed Generation and Distribution Network Operator Steering Group (DG-DNO Steering Group<sup>1</sup>).
- 1.2. ENA's DG-DNO Steering group has developed proposed milestones to provide DNOs with grounds to remove customers from the connection queue if their project is not progressing. This can help free up capacity already on the network and ensure other customers can be connected faster.
- 1.3. This document seeks views on the principles and milestones developed. DNOs will use this feedback to assess how they chose to implement any progression milestones within future connection contracts.

## 2. Background

- 2.1. In some areas of the distribution network, there is limited capacity to connect new customers. Once that capacity is used up, network reinforcement may be required to create new capacity, this has both cost and time implications for connecting customers. In assessing any new connections, DNOs need to take into account any customers that have accepted connection offers but not yet connected. These "contracted but not yet connected" customers (often referred to as the 'queue') can have an impact on any subsequent customers wishing to connect to the network.
- 2.2. Many of these contracted but not yet connected customers progress their connection project to energisation and others make every attempt to do so. However, where a project is not progressing, DNOs currently have limited powers to remove a project from the queue. In some areas of the network this has led to a situation where projects which could progress are held up in a connection queue behind others projects which are stagnant. This is not the most efficient way to allocate network capacity.
- 2.3. This issue has been raised by DG stakeholders and was highlighted in Ofgem's published [Quicker and More Efficient Connections – next steps](#). This highlighted a number of actions for DNOs that they would take forward through the DG-DNO Steering Group to address.
- 2.4. These actions included:

*We want the DNO-DG steering group to develop the principles and rules that will apply to using milestones in connection offers... The DNO-DG steering group should provide high-level principles to us by December 2015. These principles will be subject to wider consultation with stakeholders before they are implemented.*

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<sup>1</sup> The ENA DG-DNO Steering Group is made up of a number of diverse stakeholders, including various Distributed Generators, trade association representatives, six DNOs and an IDNO.

*Develop a set of principles for when DNOs can withdraw capacity from DG projects which aren't progressing... A set of high level principles to be agreed in the DNO-DG steering group and submitted to Ofgem by the end of December 2015.*

*These principles will then be subject to a wider consultation. Consider wider queue management issues and develop options to release capacity for historic connection offers... The DNO-DG steering group will hold a workshop on queue management issues. Identify the different issues and develop a work programme to resolve them by the end of December 2015.<sup>2</sup>*

- 2.5. The DG-DNO Steering Group delivered these high-level principles to Ofgem in December 2015 and they are detailed within [Ofgem's update paper on industry progress](#) against those actions in February 2016. Ofgem's document invited ENA to consult on the queue management milestones which it had developed. This document represents that wider consultation. There will also be other consultations on different but related aspects of queue management in the next few months<sup>3</sup>.
- 2.6. Throughout this document, the phrase "milestones" refers to specific expressions of project progression which are to be included in DNO connection offers.

### 3. High Level Principles

- 3.1 Please see below the proposed high level principles underpinning the specific milestones. Some of the principles are self explanatory; however some have an additional rationale, with questions attached to each milestone.

1. In general, early milestones, particularly milestones before a project has achieved planning consent, will be enforced more rigidly. Milestones will be enforced more flexibility after planning consent is granted and as a project nears completion.

**Rationale:** At the early stage of a project, fewer resources and time are deployed by the customer therefore it is easier for the customer to accept a connection offer and not progress the project. As a project progresses further, the more sunk costs a customer will have incurred and therefore be more likely to progress the project. It seems appropriate to recognise this with greater flexibility around the milestones as the project develops.

**Question 1: Do you agree with this principle of enforcing milestones more rigidly at the early stages of a project? Y/N – please provide reasons for your answer**

2. Milestones will be introduced consistently. There will be no single milestone relating to funding progression. However, if other milestones, such as commencing works, are missed then the fact that the DG customer is awaiting confirmation of funding mechanisms can be taken into account.

**Rationale:** The proposal is that whilst milestones should be applied fairly by a DNO, there may be different milestones that apply to different types and sizes of project. These are further explored in questions six, seven and eight below.

<sup>2</sup> [Quicker and more efficient connections – next steps](#), Table 1: Summary of actions to improve the current process, pg. 16.

<sup>3</sup> For details please see the ENA's queue management plan which is referenced on pg. 16 of [Quicker and more efficient connections – next steps](#)

DNOs understand that many projects rely on external funding mechanisms such as Contract for Difference, or being selected to provide ancillary services to National Grid in order to be financially viable. Securing funding can be a long process, with no certainty of whether a project will be successful in bids for funding. The DG-DNO Steering Group had a lengthy debate on whether there should be a milestone for obtaining external funding. On the one hand, it would provide DNOs with another tool to remove projects from the connection queue which, without funding, are unlikely to progress. However, some DG stakeholders highlighted that it is not for a DNO to say whether a project is still financially viable and that the DG customer may be able to explore other funding avenues.

The conclusion was that a specific milestone on funding progression is not required, as it will be up to individual customers to decide how they progress the project. DNOs will not treat projects differently based on different funding models. If other milestones have been missed and it is clear that a project is not progressing (potentially as a result of failure to secure external funding) then DNOs can withdraw the connection offer.

**Question 2: Do you agree with the principle of having no single milestone linked to funding progression? Y/N – please provide reasons for your answers**

3. Once a milestone has elapsed and the DNO has received no evidence of it having been met, it will write a letter to the customer stating it will terminate the contract unless convincing evidence is provided within 4 weeks of the letter. The DNO will offer the customer the opportunity to discuss project progress in the letter.

**Question 3: Do you agree with the process outlined for enforcing milestones? Y/N - please provide reasons for your answer.**

4. Milestones should be spaced out across the timescales for the project where possible. Milestone dates will be set either from the date of accepting the connection offer or working backwards from the agreed connection date, as appropriate. In general, construction-related milestones will work backwards from the target date while planning, design and TSO<sup>4</sup>-process-initiation will normally work forwards from acceptance, where reasonable to do so.

**Question 4: Do you agree with the principle of having milestones spaced out over the timeline for a connection project, where possible? Y/N – please provide reasons for your answer.**

5. The DG customer will need to demonstrate that it has tried to make progress (assessed against the evidence outlined in the milestones tables detailed later in this document) and demonstrate that delays are no fault of their own. Otherwise the milestone will not be considered to have been met.

**Question 5: Do you agree with the principles on which DNOs will assess whether milestones have been met? Y/N – please provide reasons for your answer.**

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<sup>4</sup> Transmission System Operator, presently National Grid Electricity Transmission plc in GB.

**6. Milestones and associated specific time periods should be appropriate to the size and technology type of generation and voltage level of connection.**

**Rationale:** The time required to secure planning permission is likely to vary according to the size of the connection and its technology type. For example, a storage park at LV is likely to go through planning much faster than a large wind farm connecting at 33kV. We think the time permitted for planning milestones will need to vary to reflect this.

The DG-DNO steering group discussed this and while recognising the range of projects, wanted to simplify the categories as far as possible to reduce the number of permutations on milestones. Below we have set out a simple table to categorise projects (mainly for planning timescales) based on whether they are wind or non wind. We have also tried to categorise for the size of the project. One indicator of this is the voltage of connection but could equally be captured by export capacity. We welcome views on whether we have the correct categories and what time periods should apply in each category.

Voltage	Wind	Non-Wind
LV	[one year]*	[six months]*
HV	[Two years]*	[One year]*
EHV	[Five years]*	[Two years]*

\*The time period set out are examples on which we welcome feedback in question 9

**Question 6: Do you agree that for a milestone on planning, the two simple categories of wind and non-wind are sufficient?** Y/N – please provide reasons for your answer

**Question 7: Do you agree with the principle that different sized projects require different milestones?** Y/N – please provide reasons for your answer

**Question 8: Do you believe that the size of a project is best indicated by the voltage of connection or would export capacity be more appropriate?** Please provide reasons for your answer

**Question 9: Do you agree with the example timescales to secure planning permission for those categories?** Y/N – what other timescales would be more appropriate?

**7. Individual DNOs may choose to apply less than all of the milestones above to certain specific groups of customers. For example, some may choose to apply fewer milestones to LV connection projects.**

**Rationale:** Different DNOs will need to manage its networks differently. Some DNOs may need to enforce milestones at LV to help free up capacity whereas other DNOs may not need to. We think individual DNOs should have the flexibility to decide when to apply milestones and which milestones they apply.

**Question 10: In what circumstances do you think DNOs should not apply all of these milestones?**

**Question 11: Do you agree with the principle of letting a DNO decide which milestones are appropriate for certain customers?** Y/N – please provide reasons for your answer

#### **4. Milestones**

4.1. The DG-DNO Steering group has developed the following milestones for consultation:

- 1. Initiated Planning Permission;**
- 2. Secured Planning Permission;**
- 3. Land rights;**
- 4. TSO interface;**
- 5. Progress adoption agreement;**
- 6. Commence works; and**
- 7. Construction of Generating Facility**

4.2. Please see each milestone below. Each milestone includes three questions as to whether it is appropriate.

Milestone One	Detail	Evidence	Time period
Initiated planning permission	<i>Projects can fall into two separate categories; 'A' if they are relatively straightforward and 'B' if they are larger projects likely to have more complex planning issues and be required to provide an Environmental Impact Assessment (EIA):</i>		
	<u>Category A</u> DG Customer must be able to provide evidence that it has initiated the relevant planning process.	Submission of planning application.	<b>2 months from offer acceptance date.</b>
	<u>Category B</u> For projects which require Environmental Impact Assessment (EIA) the DG customer must be able to provide evidence that work on the assessment has been initiated.  <b>and</b> DG Customer must be able to provide evidence that it has initiated the relevant planning process.	Written confirmation from relevant third party undertaking the EIA work proving that the EIA has been commissioned.  Submission of planning application.	Depends on specific circumstances of the project but agreed with DNO at offer acceptance, likely to be within <b>2 months of offer acceptance date.</b>  Depends on specific circumstances of project but agreed with DNO at offer acceptance, likely to be around <b>14 months from EIA initiation.</b>

**Milestone One Questions:**

12 a) Do you agree with the detail of this milestone? Y/N – Please provide reasons for your answer.

12 b) Do you agree with the 'evidence' section of the milestone? Y/N – Please provide reasons for your answer.

12 c) Do you agree with the 'time period' section of the milestone? Y/N – Please provide reasons for your answer.

Milestone Two	Detail	Evidence	Time period
<b>Secured planning permission</b>	DG customer must provide evidence that it has done everything reasonably within its control to secure planning permission.	The planning decision notice confirms planning permission has been granted and that this permission allows the DG Customer to meet the terms included in the accepted connections offer.  DNOs can check progress against relevant planning portal.	Date set from acceptance date, recognising the agreed connection date. <b>The milestone date will vary depending on technology and voltage</b> (see table under principle 6 above).
	The DG customer will be allowed to follow the full planning process. If the DG customer has planning permission rejected, or a third party challenge is made then an additional milestone will be added (on request) to allow them to go through the appeal process.	Paperwork demonstrating that an appeal, or challenge has been lodged	This can follow the process set out under the <b>Planning Rules</b> : an appeal needs to be made within 6 months in England & Wales; 3 months in Scotland from the date of a refusal notice <u>OR</u> when the local planning authority should have made a decision.
	If the appeal process went to Judicial Review, evidence of a submission would form a milestone but not the outcome as it is outside both the DG Customer and DNO's control.	Paperwork demonstrating that a Judicial Review, redetermination or appeal has been launched.	This can follow the process set out under the <b>Planning Rules</b> : Judicial Review must be launched within 6 weeks of the preceding negative planning decision.

**Milestone Two Questions:**

**13 a) Do you agree with the detail of this milestone?** Y/N – Please provide reasons for your answer.

**13 b) Do you agree with the ‘evidence’ section of the milestone?** Y/N – Please provide reasons for your answer.

**13 c) Do you agree with the ‘time period’ section of the milestone?** Y/N – Please provide reasons for your answer.

Milestone Three	Detail	Evidence	Time period
<b>Land rights</b>	DG customer has land rights for the generating station. <sup>5</sup>	Customer can provide paperwork to demonstrate that it:  (i) was an owner or lessee of the land on which the station is situated; or (ii) had entered into an agreement to lease the land on which the station is situated; or (iii) had an option to purchase or to lease the land on which the station is situated; or (iv) had entered into an exclusivity agreement in relation to the land on which the station is situated.	<b>6 months from offer acceptance date.</b>
	If land rights expire, DG customer has re-obtained land rights for the generating station	Same as above	<b>6 months from date of expiry of the land rights.</b>

**Milestone Three Questions:**

**14 a) Do you agree with the detail of this milestone?** Y/N – Please provide reasons for your answer.

**14 b) Do you agree with the ‘evidence’ section of the milestone?** Y/N – Please provide reasons for your answer.

**14 c) Do you agree with the ‘time period’ section of the milestone?** Y/N – Please provide reasons for your answer.

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<sup>5</sup> This should distinguish between land rights and landowner authority which DNOs may require of DG for making an application.

Milestone Four	Detail	Evidence	Time period
<b>TSO interface</b>	DG Customer must undertake the following to help progress the applicable TSO process. This could include statement of works, BEGA or BELLA or other transmission process as per the relevant governing industry codes:		<b>All within timescale of relevant TSO processes</b> , in accordance with its governance process, notwithstanding any reasonable negotiations which may be ongoing between TSO and DNO or TSO and customer (which may reasonably require extensions of time).
	<ul style="list-style-type: none"> <li>initiate process (including relevant application to TSO);</li> </ul>	Instruction for DNO/ Confirmation of receipt of application from TSO.	
	<ul style="list-style-type: none"> <li>make payment(s) to DNO;</li> </ul>	DNO has received payment.	
	<ul style="list-style-type: none"> <li>provide information as reasonably required;</li> </ul>	DNO/TSO has received information.	
	<ul style="list-style-type: none"> <li>accept resulting contract offers and/or variations requested; and</li> </ul>	The signed contract.	
<ul style="list-style-type: none"> <li>maintain relevant financial securities.</li> </ul>	Confirmation that securities have been paid.		

**Milestone Four Questions:**

**15 a) Do you agree with the detail of this milestone?** Y/N – Please provide reasons for your answer.

**15 b) Do you agree with the ‘evidence’ section of the milestone?** Y/N – Please provide reasons for your answer.

**15 c) Do you agree with the ‘time period’ section of the milestone?** Y/N – Please provide reasons for your answer.

Milestone Five	Detail	Evidence	Time period
<b>Progress adoption agreement</b> (if applicable)	Evidence that the DG customer's ICP has submitted a design for approval and has started the process of getting an adoption agreement in place for contestable works.	Design submission received by DNO.	To be agreed with the customer, normally working back from connection date but <b>no earlier than the date of planning consent.</b>

**Milestone Five Questions:**

**16 a) Do you agree with the detail of this milestone?** Y/N – Please provide reasons for your answer.

**16 b) Do you agree with the 'evidence' section of the milestone?** Y/N – Please provide reasons for your answer.

**16 c) Do you agree with the 'time period' section of the milestone?** Y/N – Please provide reasons for your answer.

Milestone Six	Detail	Evidence	Time period
<b>Commence works</b>	DG Customer must provide evidence that it has taken concrete steps to follow its agreed construction plan.	Present to the DNO the DG Customer's programme of works (and/or ICP programme of works) and demonstrate how progress has been made in line with this programme	Date set working back from agreed connection date, <b>according to construction plan.</b>  This should normally allow for two summer periods for plant at 22kV or above (EHV); one summer for HV and below.

**Milestone Six Questions:**

**17 a) Do you agree with the detail of this milestone?** Y/N – Please provide reasons for your answer.

**17 b) Do you agree with the 'evidence' section of the milestone?** Y/N – Please provide reasons for your answer.

**17 c) Do you agree with the 'time period' section of the milestone?** Y/N – Please provide reasons for your answer.

Milestone Seven	Detail	Evidence	Time period
<b>Construction of Generating facility</b>	DG Customer to complete the construction of the generating facility.	The DG customer has made progress against all the milestones within the DNO or ICP programme of works to take the project to completion.	Date set from agreed connection date, <b>according to construction plan.</b>

**Milestone Seven Questions:**

**18 a) Do you agree with the detail of this milestone?** Y/N – Please provide reasons for your answer.

**18 b) Do you agree with the ‘evidence’ section of the milestone?** Y/N – Please provide reasons for your answer.

**18 c) Do you agree with the ‘time period’ section of the milestone?** Y/N – Please provide reasons for your answer.

## **5. Responses**

**5.1.** Responses should be submitted to [Alexandra.moore@energynetworks.org](mailto:Alexandra.moore@energynetworks.org) by 17:00 on 13 May 2016.

## **6. Next Steps**

**6.1.** After the closing date has passed, all responses will be considered by the DG-DNO Steering Group and DNOs will consider how to take the milestones forward. We will keep stakeholders informed of these decisions through the DG-DNO steering group.