REF-NET-COM-028

CHANGE & VARIATIONS – CONNECTION OFFER GUIDANCE

Scottish & Southern Electricity Networks

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1 Introduction

This Guidance Note provides supporting information on 'Change & Variations' affecting the Connection for the Distribution System Connection Offer provided to the Customer by the Company. This Guidance Note applies to large and major 'Demand' and/or 'Generation' Connection Offers.

Reference to this Guidance Note when reviewing and interpreting Connection Offers is essential to ensure consistent interpretation and approach.

2 References

The documents detailed in Table 2.1 – Scottish and Southern Electricity Networks Documents should be used in conjunction with this document.

Table 2.1 – Scottish and Southern Electricity Networks Documents

Reference	Title
REF-NET-COM-004	SSEN Standard Terms and Conditions for Large and Major Demand Connections
REF-NET-COM-019	SSEN Standard Terms and Conditions for Large and Major Generation Connections
REF-NET-COM-020	Connection Offer – Glossary of Defined Terms
REF-NET-COM-021	Alternative Providers – Connection Offer Guidance
REF-NET-COM-022	Reinforcement Works – Connection Offer Guidance *under development 05/05/26
REF-NET-COM-023	Transmission Works – Connection Offer Guidance *under development 05/05/26
REF-NET-COM-024	Site Requirements – Connection Offer Guidance *under development 05/05/26
REF-NET-COM-025	Land Rights – Connection Offer Guidance *under development 05/05/26
REF-NET-COM-026	Metering – Connection Offer Guidance *under development 05/05/26
REF-NET-COM-027	Flexible & Curtailable Connections – Offer Guidance
REF-NET-COM-029	Project Programming – Connection Offer Guidance *under development 05/05/26

3 Background

The Company is a regulated Distribution Network Operator (DNO) owning and operating electricity Distribution Systems through its companies Southern Electric Power Distribution plc in central southern England and Scottish Hydro Electric Power Distribution plc in the north of Scotland.

Under the Electricity Act 1989 customers may notify a request to the Company for connection to these Distribution Systems. The Company in response notifies a proposal through a formal Connection Offer to the Customer, which the Customer may accept.

This Guidance Note clarifies, supports and should be read with the Connection Offer made by the Company to the Customer. This Guidance Note explains why and how the Connection Offer accepted by the Customer may change. The Customer should contact the Company if it has any queries about the information contained in this Guidance Note.

4 Why Change may be Required

The Connection Offer is made by the Company to the Customer at a very early stage in what may be a substantial project. The Connection Offer contains a Quotation of estimated costs and charges and sets out an Estimated Connection Date. These estimates are produced from a desk-based analysis, without site inspection, before detailed design has been carried out, before land rights and consents have been obtained and in advance of the appointment of the works to a contractor (referred to by the Company as our 'framework partner'). It is an early estimate based on typical works and standard pricing at the time of that Offer and is not a fixed price agreement. Any initial payment schedule may also need to change once the project moves from standard assumptions to support actual processes and project programming. This process reflects the fact that the Company receives around 50,000 connection applications a year and under half of the offers sent out in response by the Company are accepted.

After the Connection Offer is accepted by the Customer, the Company focuses in more detail on the stages of electrical solution development, project refinement – such as feasibility and detailed design and obtaining third party land rights and consents, plant and materials procurement and then project execution – with construction, commissioning and handover before the Customer's Connection can be energised. As the Company progresses through each of these stages, in particular as design works and planning are undertaken, as land rights and consents are sought and our appointed works contractor progresses works on site, the scope of work is likely to alter, impacting the price and time for completion of the Connection.

The Customer will require to pay for the actual works carried out – the cost to the Company of enabling the Customer's connection to the Company's Distribution System. If payment is delayed then the Distribution Works will also be delayed.

5 Categories of Change

There are many reasons why the initial connection offer may change, but frequently encountered reasons for change are set out below:

5.1 Inflationary Price Rises

The Company provides a quotation within 65 days of the Customer's application. The Distribution Works frequently are carried out some years later. This may be due to land and consenting requirements (such as the Customer obtaining planning permission or third-party landowners consenting to access) which are often lengthy processes that need to be completed before Works can start. Additionally, there may be substantial works required to the National Electricity Transmission System that may be required before the Customer can connect and which may not be scheduled until some years away. In the intervening period between Connection Offer and connection inflationary pressures often cause prices to rise.

The Quotation in the Connection Offer is based on material, labour and other costs known at the time the Offer is issued, but the full price charged to the Customer will reflect the actual cost at the time the works are carried out of materials, labour and contractor costs, third party costs (such as local authority consenting fees, equipment hire and fees of telecommunications providers) and overheads incurred. The Company is subject to market forces in the same way as all businesses. In recent years there has been rapid volatility in material costs, many of which are sourced from abroad, such as considerable movement in the price of metals and substantial increases in labour costs and overheads which can result in significant price rises after the Connection Offer has been accepted. Supply chain prices over the recent years have risen exponentially as inflation has been substantial across the globe. Raw material prices, transport, energy, equipment, labour costs, etc. have all risen.

The sums charged include apportioned overheads; that is closely associated indirect and business support costs which are detailed as chargeable by our regulator Ofgem in its price control funding guidance, for example RIIO-ED2 Regulatory Instructions Guidance. Business support costs include items such as IT and telecoms, property management, finance, legal, insurance, procurement, regulation, managerial and human resource teams. Closely associated indirect costs include general network design and engineering, network policy, project management, engineering management and clerical support, system mapping, stores, call centre and control centre, land rights and consents teams, operational training and vehicles and transport. These costs of running our network connections business are apportioned for example according to the activities, materials and value of the project and between all customer projects. These costs rise over time for us as for all other businesses.

Other external factors may also change over time. For example, every 5 years the Company must enter into to a new regulated price control exercise determined by Ofgem which may change the Company's pricing and recovery obligations. Under regulated procurement rules the Company's contractor and supplier frameworks have been retendered, renegotiated and renewed regularly (currently every 8 years) to ensure regular competitive market engagement, which may change costs charged after the offer has been accepted. For example, contractors may impose new management costs or other fees when they re-tender.

Where there is a long period between the Connection Offer and completion of the construction works or where Distribution Works are changed, costs will rise with inflation above earlier estimated prices. It is likely therefore that the connection price will increase over time.

5.2 Design

The Connection Offer is based on a simple, standard desk-based analysis. For anything other than the smallest and simplest connections this is likely to require subsequent feasibility design and then detailed design. Until these further design stages are carried out the actual route, scope of works, material and equipment required for the Distribution Works is not known. Detailed design will be based on much fuller information about site conditions, land and consenting requirements and network analysis. This may include stability studies, power quality assessments, environmental impact surveys, ground condition, archaeological, marine or other such technical studies, assessments, and surveys as are required to be undertaken. The original route may need to be changed considerably or to be redone entirely to reflect this fuller information.

Feasibility design may be carried out fairly early, once the Company has received the Customer's payment for that work. However, given the cost and time required to complete detailed design it is not usually started until the project is in a position to progress, for example not before the Customer has the planning permission in place for the project or when linked works to the National Electricity Transmission System are well advanced. The Company will not progress the detailed design until the Customer has made payment to progress this work.

The design process may require to be completed more than once if new issues emerge during the project. For example, when assessing long lead plant, the Company may carry out early design to enable procurement and then complete that design once the plant is delivered with supporting design information.

Following completion of detailed design, the time to complete the Distribution Works, the payment schedule and the price of the Distribution Works set out in the Connection Offer may change, reflecting the changed scope of work from the revised design and the greater detail known at that stage.

5.3 Land Rights and Consents

Until the land rights and consents for the Connection have been obtained the Connection route is not finalised, the consenting conditions affecting the works will not be known and the cost of obtaining those land rights and consents is not known (including legal and professional fees). Obtaining land rights and consents to enable the Company to install, use, maintain and renew our Distribution Systems can be a lengthy and at times complex and contested process, requiring multiple interfaces with third parties – land owners, local authorities, road and rail authorities, environmental authorities, archaeological interfaces, etc. If the design or scope of the connection changes then additional or amended land rights and consents may be required. If certain land rights or consents cannot be obtained then the design or scope of the Connection may need to be revised.

The Company will not pursue these complex and costly rights at a stage where the Customer is still uncertain whether or not it will progress its project, for example if the Customer is still waiting for funding or has not purchased its land. As a result, the process of obtaining land rights and consents will often not be started until the Customer has instructed the Company to progress and put the Company in funds for that work.

As the land rights and consents are obtained the time to complete the Distribution Works and the price of the Distribution Works may change, for example if land rights prove unusually complex to obtain. The Customer should refer to the separate Guidance Note on Land Rights and Consents.

5.4 Procurement

Until the detailed design is clear and the Customer is certain when its project will progress, it is not possible to order plant and materials for the works. There can be lengthy lead times for some materials, depending on manufacturer and supplier schedules. These lead times are increasing as global supply chain pressures rise. The periods in which the Company can obtain plant and materials can change where the manufacturer and supplier schedules change. Where the design changes or Customer needs change it may be necessary to change the plant and materials for the Connection. This may well change the time and cost of the Connection.

5.5 Appointment of the Works Contractor

We have a number of experienced contractor able to carry out the installation works for connection projects under regulated, competitively tendered framework agreements. Given the cost and time incurred in keeping contractors on standby, the contractor is not appointed until the project is in a position to progress, for example not before the Customer has substantially progressed its project and any Contestable Works, when the Company's detailed design and consenting has been completed and/or when linked works to the National Electricity Transmission System are well advanced. The Company will not progress the construction until the Customer has made payment to progress this work.

Until the works contractor(s) is appointed the cost of that contractor's works cannot be precisely known. On appointment the contractor will provide detailed pricing for each of their activities for your project, in line with our agreed regulated framework pricing, together with a detailed programme for their works. Until this is done the scope, time and price of the Distribution Works is subject to change.

If all risks (such as site and weather risk) are priced into the contractor's contract then the contract cost will be unreasonably high (as those risks may never in fact happen) – but if such risks are not priced into the contract, then risks that do actually materialise will be additional change costs that the contractor will charge and the Customer will have to pay for, potentially late in the project. Contractor compensation events under their contracts may not be fully known until all construction is completed. For example, until detailed design is in place and all interfacing works are at the appropriate stage the contractor cannot finalise its traffic management activities and the permits associated with these. The contractor will be subject to the latest local authority requirements, programmes and costs.

Following appointment of the works contractor and as risks emerge, the timing of the Distribution Works and the price of the works may change.

5.6 Customer Change

Where the Customer's requirements develop over the project and the Customer requests changes to the scope of the Connection, the timing of the Distribution Works and the price of those Works may also be required to change.

If any aspects of the Distribution Works are delayed or altered by the Customer's actions or omissions, and the Customer, and/or its Alternative Provider, has not completed its elements of work on time or as required, for example if it does not meet the Milestones set out in the Connection Offer, or information from the Customer and/or its Alternative Provider is wrong, then the timing of the Distribution Works and the price of the Distribution Works may change and re-work may be required. If the Customer's site or project is not ready or the necessary arrangements haven't been made for the Company to commence or continue works this will cause delays and additional cost. If the Company cannot get safe access on site then Distribution Works will require to be rescheduled, at additional time and cost.

If the Customer has appointed an Alternative Provider and they are delayed then this will delay the Company's Distribution Works and may change the cost of the Distribution Works. For example, until Alternative Provider design is finalised the Company's design will be delayed, preventing appointment of the Company's construction contractor. If the Alternative Provider does not meet the Company's technical and design standards and specifications then the Company will require to send the alternative proposals to its Technical Authority to determine if the alternative design or deviations can be accepted, agreeing acceptable alternative arrangements is not guaranteed and takes time and has additional cost. The Company assumes that it will only require to consider two design submissions from the Alternative Provider and that no deviations from its standards will be required, if this is not the case the Connection will be delayed.

If the Customer or Alternative Provider delays onsite works the Company may need to reschedule outages and specialist resource such as Senior Authorised Persons (SAPs) to supervise works and Protection specialist engagement. Such specialist resource is not project specific and may not be available at short notice. The programme will need to change to reflect when they can come to site/carry out reviews, this rescheduling can be complex and delayed to accommodate the competing needs of other projects. The availability of network outages is subject to restrictive schedules which mean programmes must change to accommodate those restrictions, for example outages may not be possible to schedule over the winter.

It should be recalled that the Company is not a builder hired to build a customer's project, the Company is a regulated electricity DNO, which can extend its Distribution System to accommodate a connection for a customer in accordance with its regulated processes and systems. In this system where one customer is not ready to progress its connection or does not progress requests from the Company, then the Company must focus its resources on those customers that are ready to progress. SSEN Distribution currently has around 50,000 applications for connection per year and around 30,000 live connections projects and operates Distribution Systems serving nearly 4 million customers. The Company cannot prioritize one customer wishing to connect at the expense of other users of its electricity Distribution Systems. This means that where a customer is not ready to progress its project the Company will prioritise other customers' projects that are ready and the delayed customer will move down the queue of projects. This approach reflects the industry wide Connections Reform which is focused on unblocking the connections queue to the electricity grid, moving from first come first served to strategic alignment to
improve the efficiency and effectiveness of energy connections and to enhance energy security.

The Customer should refer to the separate Guidance Notes on Competition in Connections and Project Programming.

5.7 Third Party Change

If third party requirements affecting the Connection change this will impact on the cost, time and scope of the Connection. For example, telecommunications providers running fibre for connection projects will require to obtain their own land rights and consents and appoint their own contractors which may affect the programme of works.

The scope, timing and cost of any reinforcement works to the National Electricity Transmission System impacting on the connection may change. The National Energy System Operator (NESO) and the Government Department for Energy Security and Net Zero have been reforming access to the national electricity grid. These changes will affect the time and cost of this Connection. The Customer should refer to the separate Guidance Note on Transmission Works.

Requirements of local authorities, consenting authorities or neighbouring landowners will also need to be taken into account and these requirements may change.

5.8 Factors Beyond our Control

There could also be changes to the scope, time and cost of the Connection if the Distribution Works are affected by any factor beyond the Company's reasonable control, for example natural disasters, weather, adverse ground conditions, civil commotion or hostilities, government embargos, third party strikes, fires, war, pandemic, a network system emergency, etc.

Changes in law, regulatory or industry change may also result in changes to the scope, time and cost of the Connection – as has been seen in the recent industry wide Connections Reform decisions affecting the whole electricity system.

Where there are unplanned faults on the Distribution System or NETS these may affect the timing of the Distribution Works.

As discussed above, an outage of the Distribution System or the NETS may be required to enable the Customer's Connection – circuits which would usually provide electrical security to other customers may have to be switched off. Outages have to be carefully planned by the Company to ensure that other customers are not subject to unnecessary power cuts or disturbance. During the winter months the risk to other customers may be too high and it may not be possible to schedule outages for the Connection until the risks are lower in the spring. If the timing of the Distribution Works change and then fall into a winter period the outage works for the Connection may require to be held back until the electricity security risks are lower.

The Company prices the Connection in the Quotation on the basis that the Company will be able to carry out its works in its normal sequence, without obstruction or restriction, during normal working hours and as set out in the Connection Offer. If for any reason beyond the Company's control it is unable to perform the Distribution Works as planned then the scope, time and cost of the Connection may change.

5.9 Dependency on Other Projects

The progress of the Customer's project may be dependent on progress of other projects which are also connecting into the electricity Distribution System in the same area using the same parts of the Distribution System. The Connections may be interdependent where one Connection has a material effect on the other. The change or cancellation of an interdependent project may change the cost and timing of the Customer's project.

The categories of change listed here are just examples. Other changes may occur during a project which are not listed here. Unless the change arises as a result of the Company's negligence, the Customer will be required to bear the cost and time of that change.

6 Variation Process

The process for change is that either the Company or the Customer can propose a variation to each other, this should be done in writing.

If the Customer's proposed change is not possible the Company will identify this at that time, with reasons provided in writing and the existing Offer will continue unamended.

If a Customer's proposed change is feasible, or the change is proposed by the Company, then the Company will provide a formal variation agreement to the Customer or an updated Offer as soon as practical. This should identify the proposed change and detail the impact on the scope, cost and timing of the Connection. Ideally a variation will be agreed in writing and provided in advance, but some changes on site will happen through practical discussion and agreement during the works and may need to be documented afterwards. Some changes may occur late in a project and may require urgent response.

Where a variation is provided, the Customer must confirm to the Company in writing whether it accepts the variation within the period specified to do so. If the Customer accepts the variation the terms, scope, time and cost of the Connection will be adjusted accordingly.

7 Termination if Variation is not Accepted

If the Customer does not accept a variation which is required by the Company, then the Company will be entitled to terminate the Connection Offer and to cease progressing the Connection. This is because in many cases the Connection will not be able to progress without that change.

There are costs associated with termination. The Company will require to recover its costs of the works already undertaken to that stage or unavoidably committed to. There may be NESO cancellation charges where the project interfaces with the National Electricity Transmission System. There may also be apportionment charges where reinforcements were carried out on the Distribution System (split in cost between the Customer and the Company) for a customer's project, which are no longer required because of the termination. At that point the Customer may need to reimburse the wasted spend of the Company.

To manage and minimise change at the earliest opportunity and reduce the risks of termination and termination charges, the Customer should engage regularly with the Company to discuss the progress of its Works and the Company's Distribution Works. The Customer is responsible for ensuring that it meets the payment schedule for the Distribution Works to progress.

The Customer should also refer to: variation-process-guide-0225.pdf and the Guidance Notes linked in the Connection Offer.

8 Revision History

No	Overview of Amendments	Previous Document	Revision	Authorisation
01	New Guidance Document	Not Applicable	1.00	Rob Gladstone
02				