

Good afternoon,

I am writing to give feedback on the RIIO-2 Draft Determination for the Electricity Transmission sector. Renewable Connections Developments Limited is a London-based developer of solar PV and battery storage projects across the UK. While our primary focus is distribution networks, we also have a portfolio of projects connecting to the transmission system. These include tertiary winding connections with National Grid ET, dedicated SGT (33 and 400 kV) with National Grid ET and 132 kV connected projects with the Scottish TOs. My role is to source, obtain and manage grid connections for these projects for construction by our joint venture partner, European Energy.

My first concern on the draft determination is the barriers it will put in place towards achieving net zero. It is high time that Ofgem's remit included de-carbonisation as well as focussing on customer bills. The baseline allowances are up to half of what the TOs requested. NGET's calculations show that it would take 100 years to replace all their assets under this level of funding, when most assets have a life of 40 years. There are assets older than this on the system and they are inefficient. Transformer losses are a huge loss of power on the system and replacing for newer, more efficient models would have a significant impact on reducing carbon emissions. This could be more environmentally and economically efficient than mass renewable energy roll-out. We should look to optimise existing assets before building more. An interesting piece on this can be found here: <https://www.energymanagemagazine.co.uk/what-should-come-first-solar-pv-or-replacing-transformers/>. As well as network losses, which the network operators are mandated to reduce, the world-leading reliability of the network will also suffer. Net zero and decarbonisation needs to be at the centre of everything we do and resources to achieve that must be made available.

Secondly, the proposed Uncertainty Mechanisms do not cover costs to connect in many instances. Tertiary connections were rolled out by NGET to facilitate quicker and cheaper connections for smaller customers to the transmission system, under the proposals these will be done at a loss. The TOs will still retain a licence obligation to connect customers but will be made to do so at a loss. This seems to be a bizarre halfway house between a nationalised network operator or a private commercial entity. While being told to make connections at a loss, the TOs are also now being encouraged to introduce competition into certain jobs such as reinforcement. Ofgem needs to decide which route they want to take and implement either philosophy fully.

If the TOs make a loss on connections, there will be less commercial incentive to provide efficient customer service and to take on risk. Our experience with NGET has been frustrating at times, with progress being extremely slow compared to DNOs. NGET are aware of this and are coming to terms with the extra resourcing needed to manage portfolio customers such as us (with a number of 50 – 100 MW projects) over a larger centralised customer like Hinkley Point. A simple fix would be one of two things: set TNUoS to fully recover the cost of connection; or bill for infrastructure works up front as the DNOs do for non-contestable works. TOs must also urgently review their procurement exercises as I believe these are artificially inflating prices. I have been quoted £1M for a circuit breaker from a Scottish TO that can be found for about £100k on the open market.

I would like to encourage much more information sharing between the DNOs, ESO and TOs as part of a "whole system approach". It is unrealistic to expect each operator to sit in their own silo as there is now so much interaction across the grid with distributed generation. It's also farcical to suggest that regional monopolies should be in competition. The TOs have a lot to learn from DNOs in terms of customer service and processes and costs. A TO application can cost nearly 10x as much as a DNO application for the same product, often with inferior customer service, processes and pre-app resources. Any settlement must mandate customer service and pre-app information improvements

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with the TOs. At present it appears there are concerns that the current settlement will hinder these necessary improvements.

Finally, on a personal note, I do not believe that the network operators should be profit making, privatised businesses. I would favour nationalisation, but failing that all profit must be re-invested in the business rather than being distributed to shareholders. As I understand it any savings NGET make over the UM the savings are shared between the company and shareholders. The TOs are understandably worried that this new settlement will hit the profitability of their business. I would be concerned about this if it affected their ability to do business, as they are intimating, however if the brunt can fall on shareholders without affecting the amount being re-invested, I see less of an issue. The rate of return should be reduced from the current 6% to an amount that is required for reinvestment in the business only.

In conclusion anything which will hinder the deployment of more distributed generation, progress to net zero and improved customer service with the TOs is to be opposed and should be considered carefully. However I would like to see less of an ability of the TOs to make profit and pay shareholders and would mandate that these funds should be re-invested in the business only. The settlement must cover the funds needed to make those improvements as a minimum.

Please let me know if you need any clarifications.

Kind regards,

Charles Deacon

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