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To whom it may concern,

25th August 2021

Access and Forward-looking Charges Significant Code Review: Consultation on Minded to Positions

Please find the response from Muirhall Energy to Ofgem's Access and Forward-looking Charges Significant Code Review.

Muirhall Energy is a leading independent developer of renewable energy projects, based in Lanarkshire, Scotland. Our projects are making a significant contribution to Scottish and UK Government climate change targets and providing local communities across Scotland with funds to invest in the challenges and opportunities that matter to them. Muirhall Energy worked with Scottish Renewables (SR) in forming an industry response to the SCR, therefore this document is in addition to the SR submission.

In response to this consultation, Muirhall Energy would like to focus on the following points:

- The current TNUoS charging regime is not fit for purpose to deliver the transition to net-zero. Similarly, the new charging regime proposed in the SCR does not support the delivery of renewable energy. Therefore, until a wholesale review of TNUoS has been completed we strongly support a delay to the implementation of TNUoS charges for SDG.
- If implementation of the SCR were to be progressed –
 - Applying Grandfathering rights to projects that are adversely affected by regulatory changes should be approved.
 - The Generation Tariff pricing signals in Table 5.2¹ and Table 5.3¹ in no way align with the UK and Scottish Governments Net Zero targets. Incentivising Conventional Generators with TNUoS credit must be reconsidered.
- The expectation within the SCR that England will replace a loss in onshore generation of 399.1MW^[1] from Scotland is unrealistic due to planning restrictions.
- A clear and fair avenue to reducing TNUoS and reinforcement charges is to remove Transmission Owners monopoly on the application process of Transmission Connected projects. Increased competition will inevitably lower costs and accelerate connection delivery.

We respectfully put forward this response to the Ofgem SCR proposal, as it jeopardises the deliverability of several Muirhall projects based within SHETL and SPT.

Yours sincerely,

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[1] <https://bit.ly/38bIBiv>

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Connection boundary

Question 3a: Do you agree with our proposals to remove the contribution to reinforcement for demand connections and reduce it for generation? Do you think there are any arguments for going further for generation under the current DUoS arrangements? Please explain why.

Muirhall Energy support the response from Scottish Renewables.

Question 3b: What evidence do you have on the effectiveness of the current connection charging arrangements in being able to send a signal to users and what do you think will be the effect of our proposed changes? How does this vary between demand and generation connections?

In addition to the response from Scottish Renewables-

As sites with lower wind yield in England and Wales will be favoured over higher wind yield sites in Scotland, this will eventually lead to the requirement of more wind sites in England and Wales than what would have been necessary in Scotland to achieve the same output. This approach also assumes that lower TNUoS charges or a TNUoS credit is an effective signal to trigger more onshore wind growth in England. Planning issues in England will prove renewable development to be extremely limited and ultimately slow our progress to Net Zero.

Additionally, if Ofgem intend to progress with charging TNUoS to SDGs, Grandfathering rights must be applied to existing connections, projects with planning and projects with a connection offer from a Transmission/Distribution Network Owner. Such significant reform will drastically impact a projects viability and uncertainty around this decision will lead to delay in the delivery of these projects. Also, instead of providing a start date for reform, a grace period which accounts for circumstances out with the control of the developer should be considered as an option. Transitional support is essential for projects moving into a new regulatory framework.

Question 3c: What are your views on the effectiveness of the current arrangements in facilitating the efficient development and investment in distribution networks? How might this change under our proposals where network companies are required to fund more of this work?

Muirhall Energy support the response from Scottish Renewables.

Question 3d: Do you agree whether the need to provide connection customers with certainty of price reduces the potential for capacity to be provided through other means such as flexibility procurement? How might this change under our proposals?

Muirhall Energy support the response from Scottish Renewables.

Question 3e: What are your views on whether we should retain the High Cost Cap? Is there a case for reviewing its interaction with the voltage rule if customers no longer contribute to reinforcement at the voltage level above the point of connection?

No comments.

Question 3f: What are your views on the recovery of the costs associated with transmission that are triggered by a distribution connection? Does this need to be considered alongside wider charging reforms or could a change be made independently?

Muirhall Energy support the response from Scottish Renewables.

Question 3g: What are your views on the likelihood of inefficient investment under our proposals (e.g., an increase in project cancellations after some investment has been made)? Are there good arguments for further considering introducing liabilities and securities to mitigate this risk?

Securities are a useful process for Transmission connected projects, therefore a similar approach to support project development would likely help the delivery of projects in regions with high reinforcement costs.

Question 3h: What are your views on whether the interactions between our connection reforms and the ECCR must be resolved before we are able to implement our proposed reforms? How do you factor in the effects of the ECCR (if at all) into decision making, given the levels of uncertainty around subsequent connectee(s)? What suggestions do you have to make our policy and the ECCR work together most efficiently?

No comments.

Access rights

Question 4a: Do you agree with our proposal to introduce better defined non-firm access choices at distribution? Do you have comments on their proposed design?

In addition to the response from Scottish Renewables-

Generators are charged the same level of TNUoS whether they are a firm or non-firm connection. If a non-firm connection is curtailed by a Load Management Scheme for example, Ofgem should consider proportionally reducing TNUoS by the percentage of lost generation time over the year due to circumstances out with the control of the developer.

Question 4b: Do you agree with our proposal to introduce new time-profiled access choices at distribution? Do you have any comments on their proposed design?

Muirhall Energy support the response from Scottish Renewables.

Question 4c: Can you identify any benefits to shared access rights, which would indicate we have underestimated the likely take-up?

No comments.

Question 4d: Do you have any comment on our proposed choice about how to reflect access rights in charges (i.e. connection and/or distribution use of system charges)?

No comments.

Question 4e: Do you agree with our proposal to not prioritise the introduction of new transmission access choices as part of this Significant Code Review?

No comments.

Question 4f: Do you have views on how access rights should be standardised across DNOs?

No comments.

Question 4g: Do you have any views on our proposed timescale of 1 April 2023 implementation?

Muirhall Energy support the response from Scottish Renewables.

TNUoS charges for SDG

Question 5a: Do you have any evidence that SDG does not contribute to flows in the same way as large generation and, therefore, should not be charged on a consistent basis?

Muirhall Energy support the response from Scottish Renewables.

Question 5b: Do you agree with our threshold for applying TNUoS generation charges of 1MW? If not, what would be a better threshold and why?

In addition to the response from Scottish Renewables-

Muirhall Energy would support removing the 1MW threshold. As shown in Table 5.1, 5.2 and 5.3 of the 'Quantitative analysis of Ofgem Access Options: Connection Boundary and TNUoS SDG'^[1], Generators in Distribution zones 1 and 2 face a significantly higher charges under EET than through TNUoS Reform, in zone 1 EET is £80.61/kW and TNUoS Reform is £54.46/kW. Projects under 1MW should not be forced to pay higher charges, therefore alignment of the charging methodology would be preferable.

Question 5c: Do you have any evidence that distribution connected generation at a grid supply point has a different impact than directly connected generation?

Muirhall Energy support the response from Scottish Renewables.

Question 5d: Do you have a preference for one of our options for addressing the local charging distortion? If so, please indicate which option and provide your reasons. Are there any options we have missed?

Muirhall Energy support the response from Scottish Renewables.

Question 5e: Do you support our position that we should consider transitional arrangements? If so, do you have a preferred option and evidence to support the benefits or risks associated with each option?

In addition to the response from Scottish Renewables-

We strongly encourage overall reform of TNUoS. The current and proposed methodology will act as a barrier to delivering renewable energy and meeting the governments Net Zero ambitions. Therefore, we ask that Ofgem take a step back from charging SDG TNUoS to review the system as a whole and consider how the charging methodology could be modernised to align with the diverse generation network we have today. As already highlighted, the system is broken if Conventional Carbon Generation such as coal, oil and open cycle gas-turbines are credited TNUoS for connecting to the network.

Therefore, wholesale TNUoS reform is our preference, however if Ofgem decide to push on with their minded to position, Grandfathering for existing and contracted projects is a must. Without this, many projects will no longer be commercially viable. Additionally, Muirhall Energy expect that many repowering projects will not be able to adapt to the higher charges.

Question 5f: Have we identified all the options for administering TNUoS generation charges for SDG? If not, what options have we missed, and why would they be preferable to those we have

identified? Can you provide any evidence regarding the implications of the different administrative options for your business?

No comments.

Question 5g: Are there any specific issues you think we need to consider, as part of our work on the future role of network charges? Why are these important to consider?

In addition to the response from Scottish Renewables-

Only a small section of TNEI Quantitative analysis comments on the challenge of delivering onshore wind in England and Wales. As a renewable energy and onshore wind developer we see little prospect of building onshore wind in these regions and increasing the 'locational signal' through TNUoS will not help developers increase onshore wind in these areas. The increase in TNUoS will only decimate more projects that are consented in Scotland because financially they no longer stack up. In Figure 5.13 of the TNEI analysis^[1], it forecasts there will be an increase of 397MW by 2029 due to the implementation of the SCR. Although this does not reflect the reality of England's planning system for onshore wind. This will ultimately lead to reduced generation in Scotland of at least 399.1MW, as TNEI have forecasted, but could also lead to the uplift in onshore wind generation in England not being deliverable. Therefore, delaying the implementation of net-zero.

General question

Question 7. Do you have any other information relevant to the subject matter of this consultation that we should consider in developing our proposals?

In addition to the response from Scottish Renewables-

Muirhall Energy strongly support a change in the current Transmission Owners monopoly arrangement for applications to generate on the Transmission network. Although CATO has been considered by Ofgem we believe there is no reason that a similar setup to RAdAR for Independent Connection Providers (ICPs) connecting on the Distribution network cannot be fast tracked. By having TOs/DNOs and ICPs compete to connect generators to the network this will increase competition which will ultimately lower costs and accelerate the delivery of projects. This change would help the UK reach Net Zero more efficiently and at a lower cost to the consumer.

Additionally, Muirhall Energy would like to request that as part of any TNUoS reform, that developers are only charged TNUoS for a proportion (*pro rata*) of the year from their connection date to April and not a full calendar year. The TNUoS charging year begins in April, however if a project connects in March they will be required to pay for the previous 11 months of the charging year in full. This approach leads to deliberate connection delays beyond the start of the charging year to avoid being charged a full TNUoS years charge or, alternatively, significant charges if a project only exports for a few months of that calendar year. This issue will only get worse as TNUoS charges rise, therefore a TNUoS charge which is equivalent to the percentage of the year a project is connected would be preferable.