

NGET Consultation Response

Ofgem question 3	NGET Response
Q3a Do you agree with our proposals to remove the contribution to reinforcement for demand connections and reduce it for generation?	<p>We support the steps taken as these go some way to providing a level playing field for customers seeking a connection networks, regardless of the voltage of connection. However, we believe that distributed generation connection charges should be as shallow as for demand.</p> <p>We do not believe that proposed shallower generation connection boundary, still including reinforcement charges, will provide a sufficiently level playing field with transmission connected generation and may continue to distort the connections market.</p> <p>Under the proposed shallower connection charging there continues to be a risk that generation will continue to request transmission connections simply to avoid distribution reinforcement charges.</p>
Q3b 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?	<p>From our conversations with customers, many are sensitive to the cost signals provided through network charges (and others more sensitive to the timescales of connection). This may extend to motivate their choice of network, as well as the geographic location.</p> <p>As noted above, the current distribution connection charging arrangements provide a highly effective signal but one that is likely to dissuade development, particularly of mid-sized (e.g. 10s of MWs) generation, at the distribution voltage levels. The proposals go some way to removing the upfront charges which distort user behaviour, but without removal of reinforcement charges from generation distortions will remain.</p>
Q3c What are your views on the effectiveness of the current arrangements in facilitating the efficient development and investment in distribution networks?	<p>While deep charges send strong cost signals, they also risk: driving piecemeal connection-specific network development; delaying reinforcements; and a larger range in the connection charges customers face.</p>
Q3d 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?	<p>We agree that customers need to understand their cost base – including network charges – in order for them to effectively offer other network services.</p>
Q3e What are your views on whether we should retain the High Cost Cap?	<p>We have no view on this question.</p>

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<p>Q:3f What are your views on the recovery of the costs associated with transmission that are triggered by a distribution connection?</p>	<p>DNO own works at voltages higher than a user's connection voltage are included in the DNO price control and we believe that transmission works should also be suitably provided for within the DNO price control, particularly where these are transmission connection assets covered by Exit Charges.</p> <p>Ensuring that upstream network investments are treated the same and consistently funded, would ensure that connecting users are fairly charged irrespective of the exact location of upstream investment in networks.</p> <p>Without such changes, the current approach of targeting all transmission connection asset upgrade costs from the triggering distribution user would mean that existing distribution users and second commers potentially 'free ride' on reinforcements paid by a single party (should the project actually be able to proceed).</p> <p>We note Ofgem's concern in para 3.33 about targeted cost recovery of transmission works. However, the bulk of transmission works is already paid for through Exit Charges and included in the DNO's allowed revenue and consequently recovered through DUoS charges.</p> <p>The allowed revenue is recovered across customers in accordance with both EDCM and CDCM charging methodologies, already including recovery of upstream charges for transmission works (as assimilated by DNO allowed revenue). The existing socialisation of most transmission charges recognises that transmission related charges (driving DNO revenues) are for works that provide benefit to all distribution users not just SDG. The exact method of cost-based allocation of allowed revenue across residual, time of use, voltage of use and locational charge elements remains a matter of developmental choice with respect to EDCM/CDCM methodologies.</p> <p>If the locational nature of transmission Exit Charges relative to locational EHV DNO network costs is seen to be material now or in the future, then improvements to the distributive recovery can be addressed further over time through charging methodology changes progressed through open governance.</p> <p>Until such time we believe that transmission works driven increases in Exit Charges should continue to be funded through distribution allowed revenue and recovered through existing DUoS methodologies to better reflect the benefits these works provide to other users within the distribution network.</p>
<p>Q3g What are your views on the likelihood of inefficient investment under our proposals?</p>	<p>If distribution connection charges are made shallower without any change to the user commitment / security arrangements, there is an increased risk that some investments may be progressed that with hindsight could be judged to be inefficient. Such risks are greatest where the lead time of network owners' investments are greater than the customers' investment.</p> <p>We would welcome greater clarity from Ofgem on the consistency of the user commitment regimes across transmission and distribution, to ensure that these don't give rise to any undesirable consequences.</p>

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Q3h: What are your views on whether the interactions between our connection reforms and the ECCRs must be resolved before we are able to implement our proposed reforms?	We have no view on this question.

Ofgem question 4	NGET Response
Q4a: Do you agree with our proposal to introduce better defined non-firm access choices at distribution?	We have no view on this question.
Q4b: Do you agree with our proposal to introduce new time-profiled access choices at distribution?	We are supportive of customer choice where this leads to efficiency and net benefit.
Q4c: Can you identify any benefits to shared access rights that we have not considered, which could impact likely take-up?	We have no view on this question.
Q4d: 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)?	We have no view on this question.
Q4e: Do you have any comment on our proposal to not prioritise the introduction of new transmission access choices as part of this Significant Code Review?	<p>We see increasing numbers applications across a range of technologies that could connect to either transmission or distribution systems. The rationale for limiting flexibility of access to just one system needs – in due course – to be considered further.</p> <p>However, this question might be best answered once the expected benefits in distribution has been tested; and trade this off against any complexities that may arise in transmission.</p> <p>We also note that the CUSC framework is subject to open governance.</p>
Q4f: Do you have views on how access rights should be standardised across DNOs?	We do not have a no detailed view on this question.
Q4g: Do you have any views on our proposed timescale of 1 April 2023 implementation?	<p>We understand that the proposed change in distribution connection charging is significant and important to get right. However, the later the implementation, the longer existing market distortions will remain that potentially impact customer's connection choices.</p> <p>We would urge as speedy implementation as is prudently possible to ensure near term benefits are not eroded.</p>

Ofgem question 5	NGET Response
Q5a 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?	The output from distributed generation has the same effect on network flows as transmission connected generation at the same location, regardless of size.
Q5b Do you agree with our threshold for applying TNUoS generation charges of 1MW?	The proposal is pragmatic.
Q5c Do you have any evidence that distribution connected generation at a grid supply point has a different impact than directly connected generation?	The dominant effect on the transmission system is of offsetting GSP demand, and this is unaffected by the network generation is connected to.
Q5d Do you have a preference for one of our options for addressing the local charging distortion?	We agree with Ofgem's assessment of the issue and think the proposed way forward is pragmatic given the limited scale of the potential issue.
Q5e Do you support our position that we should consider transitional arrangements?	We believe that implementation needs to be as fast as possible but with a transition period that enables users enough time to adjust rolling commercial positions.
Q5f Have we identified all the options for administering TNUoS generation charges for SDG?	<p>Yes, we believe so.</p> <p>We understand that an ESO-DNO model, more closely relating to GSP and network specific requirements of each DNO, has complexity and would require new commercial relationships and data arrangements.</p> <p>An ESO-Supplier-DSG model seems programmatic in leverage existing commercial relationships at volume.</p>
Q5g Are there any specific issues you think we need to consider, as part of our work on the future role of network charges?	We have no further comments.

Ofgem question 7	NGET Response
Q7 Do you have any other information relevant to the subject matter of this consultation that we should consider in developing our proposals?	<p>The consultation covers the charging arrangements where distribution users trigger transmission works. However, it does not consider the situation where transmission users trigger works in distribution networks. These are known as Third Party Works.</p> <p>Under the current arrangements, the DNO passes all reinforcement costs to the triggering transmission user. While highly cost reflective, existing and future users of the distribution system are likely to benefit from these works and make no contribution to them. There is also a risk that a customer seeking connection to the distribution network that triggers the same works, would face a different charge due to the apportionment rules that exist in the distribution charging methodology.</p> <p>We believe this could be inequitable and is likely to result in otherwise viable connections not progressing. We would welcome Ofgem's thoughts on this matter.</p>

