

Access and forward-looking charges significant code review – consultation on minded to position**Consultation Response: Vattenfall**

Dear Patrick Cassels,

Vattenfall is a leading European energy company with approximately 20,000 employees across Northern Europe and growing numbers in the UK. For more than 100 years we have electrified industries, supplied energy to people's homes and modernised our way of living. We now want to make fossil-free living possible within one generation.

We have been investing in the UK for more than ten years, and with £3.5bn invested, we have grown our wind business from one project in 2008 to eleven today and now operate more than 1GW of wind and solar power capacity, with around 4GW in the pipeline. We also continue to grow in district heating, distribution networks and are a pioneer in delivering co-located solar and battery storage at our wind sites.

Vattenfall welcomes the opportunity to respond to Ofgem's consultation on, 'Access and forward-looking charges significant code review – consultation on minded to position', and we would like to highlight the following elements.

Connection boundary:

We welcome Ofgem's proposal to remove the contribution to distribution level reinforcement for demand connections and reduce it for generation, we think that this new proposal will facilitate more efficient development and investment in the distribution network. However, we believe that it is difficult for developers to assess the full commercial impact of this proposal without understanding the impact on the associated Distribution Use of System (DUoS) costs.

When assessing the connection boundary proposals, we believe that it is important to consider the rights of existing network users, who could be impacted by higher DUoS charges due to the effect of new connectees. This is particularly important for projects that took investment decisions based on a stable connections regime. We would welcome further clarification on this element from Ofgem.

Non-firm access:

We note Ofgem's proposals to better define non-firm access and to potentially introduce time-profiled access choices. In order to continue to deliver the lowest cost electricity we believe that embedded generators require a clear understanding of the curtailment impact associated with their grid connection. An unclear view of curtailment levels will lead to an increase in risk and cost. Ideally, we believe that embedded generators require financially firm access rights going forward.

TNUoS impact and grandfathering

We note Ofgem's minded to position to charge Transmission Network Use of System (TNUoS) costs to embedded generation. We believe that this position could have a significant impact on the cost base of operational distribution connected assets; the pipeline of new projects under development, a pipeline required to meet net zero; and on sites looking to repower at the end of their asset life, which could lead to an increase in greenfield development.

We believe that if Ofgem were to implement any of the proposals to allocate TNUoS to distribution connected generation, prior to completion of the proposed wider TNUoS review, this would lead to significant uncertainty within the market. Therefore, we agree with Ofgem's position that, *'it may not drive more efficient network usage, if we introduce a change now, which sends signals to users that may change again significantly, following any wider review of TNUoS charges. Given the potential for short term volatility, we think there may be merit in delaying implementation of this part of our reforms, until there is greater clarity about the longer-*

term role of TNUoS charges'. In this context, developers would welcome early indication from Ofgem on timing and scope of any TNUoS reform proposal.

In addition, we believe that if the minded to position to charge distributed generators TNUoS (or a wider TNUoS review) were to be progressed, there is a strong case for grandfathering sites that will be adversity affected by regulatory changes. Many of these projects have taken long term investment decisions based on a stable charging framework, and significant changes to the regulatory environment during the operational phase could impact on investor confidence and may increase the overall costs of decarbonising the UK's electricity system.

If you have any queries on our response, please feel free to contact me.

Yours sincerely,

Alwyn Poulter
Public and Regulatory Affairs Manager