

SMMT submission to Ofgem 'Access and Forward-looking Charges Significant Code Review' Consultation

1. The Society of Motor Manufacturers and Traders (SMMT) is one of the largest and most influential trade associations in the UK. It supports the interests of the UK automotive industry at home and abroad, promoting the industry to government, stakeholders and the media. The automotive industry is a vital part of the UK economy accounting for £78.9 billion turnover, £15.3 billion value added and invests more than £3 billion each year in automotive R&D. With some 180,000 people employed directly in manufacturing and 864,000 across the wider automotive industry, it accounts for 13% of total UK exports with over 150 countries importing UK produced vehicles, generating more than £100 billion of trade. More than 30 manufacturers build more than 70 models of vehicle in the UK supported by over 2,500 component providers and some of the world's most skilled engineers.
2. To successfully deliver on government's non-zero emission cars and vans end-of-sale policy by 2035 and decarbonise all segments of road transport by 2050, SMMT believes it is critical to utilise all possible financial and non-financial mechanisms to facilitate the transition to a zero-emission transport sector.
3. A barrier previously identified by SMMT to the rollout of electric vehicles charging infrastructure in the UK is the potential grid connection charges that organisations such as businesses and local authorities, face when installing electric vehicle charging points. A grid connection upgrade can often be required when installing EV charging infrastructure with a certain power requirement. This can be the case when, for example, installing multiple charging points or high-powered charging points such as at depots.
4. SMMT agrees that changes need to be made to the current Distribution Network Operator (DNO) business model. The responsibility and cost for upgrading local substations to provide more energy lies with the occupier of the premises, which then places an expectation on occupiers to invest in upgrading assets that they do not own. Moreover, as many buildings are leased, in order to avoid an ongoing standing charge for power, property owners usually demand the occupiers to commit to removing their charging infrastructure if they move premises. This issue is particularly relevant to fleet operators. Furthermore, once an operator has paid for the sub-station upgrade others can take advantage of the provision of additional power at no extra cost. This creates an inherently unfair and inequitable system favouring larger operators who may be able to afford this upgrade. To overcome this, **government strategy should include how it will secure energy provision for fleet operators across the UK with transparent and equitable pricing**. There are opportunities for businesses who manage fleets, to minimise the need for network upgrades by utilising on-site renewables and energy storage using batteries, where possible and this should be explored.
5. Ofgem are consulting on minded to positions for three key areas of our Access and Forward-looking Charges Significant Code review: distribution connection charging, the definition and choice of access rights, and transmission charges for small, distributed generators. SMMT has set out responses to the relevant areas below.

Proposals for distribution network connection charges

Up front charge for network access was designed as market signal to avoid constrained areas of the network. There is evidence this is now a barrier to reaching Net Zero. Therefore, Ofgem is proposing to:

Remove the contribution to reinforcement within the connection charge completely for demand connections;

6. SMMT agrees with the proposals to remove the contribution to reinforcement within the connection charge completely for demand connections. This has a direct impact on customers seeking to install electric vehicle charging infrastructure, for example at depots. There is a lot of anecdotal evidence that connection charge costs are a direct barrier to businesses, such as SMEs who often lack the capital needed, transitioning to electrified fleets. For example, we know of one major delivery company with a sizeable fleet had to fund £600,000 in 2015 for network upgrade to facilitate depot charging of their fleet of 60 vehicles. Overcoming this barrier is crucial if the UK is to meet its target of becoming net zero by 2050.

Reduce the contribution to reinforcement within the connection charge for generation connections by amending the voltage rule.

7. With a flexible energy system, the relationship between demand and generation is increasingly interdependent. With time of use tariffs, and the energy storage possibilities of a fleet of vehicles, consumers could also become generators, which could create new business models and reduce costs for businesses. Therefore, SMMT agrees with the minded to position to reduce contribution to reinforcement within the connection charge for generation connections by amending the voltage rule as we believe that this is a fairer apportionment of cost. In relation to reinforcement cost socialisation, we believe it is fair for local bill payers to contribute via energy bills as those within the local energy grid which is reinforced can benefit. Therefore, if it is implementable, we believe reinforcement costs could be socialised by local bill payers only, not wider national consumers.
8. We also believe that Ofgem should consider going further and consider providing funding for at least part of cost of the grid connection, or 'extension asset' costs for individual consumers, alongside the reinforcement costs. This is due to the clear barriers these costs could pose to those who need a new demand connection. We believe that the cost for this should be part-covered by the government and/or Ofgem and do not think this cost should be socialised by wider energy bill payers as this is a specific benefit to an individual organisation.
9. The High Cost Cap (HCC) should remain as it is a valuable tool in reducing potential costs for consumers and is clear and easy to understand enabling consumers to factor this cost into their business cases.
10. We agree that the liabilities and securitisation options should not be amended but believe that Ofgem should keep this under constant review be prepared to intervene and amend should this cause unintended consequences, for example prohibitively high ongoing network costs above those expected.

Proposals for improved definition and choice of access rights

Access rights covers consumers access to the network and the capacity they can use. Ofgem are minded to introduce the following low regret access rights choices:

Levels of firmness:

- *This would provide choices about the extent to which a user's access to the network can be restricted and their eligibility for compensation if it is restricted.*

Time-profiled access:

- *This would provide choices other than continuous, year-round access rights (e.g. 'peak' or 'off-peak' access).*

11. SMMT supports the introduction of alternative access-rights as we believe that these can provide consumers with greater choice around their energy services. Providing additional access rights based on level of firmness and time profile could allow more and smaller businesses to make the shift to zero emission practices, such as for example, an SME installing electric vehicle charging infrastructure at a depot. We believe more choice is important and having these options alongside existing access rights is a positive step.