



Independent Networks
Association

David McCrone / Patrick Cassels

Ofgem

Sent by email to: FutureChargingandAccess@ofgem.gov.uk

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Dear David and Patrick

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

I am writing on behalf of the Independent Networks Association (INA). The INA represents the leading independent utility network owners and operators who serve the domestic, commercial and industrial sectors across Great Britain. Several INA members will be responding directly on the detailed questions containing in the consultation. This response covers the higher-level points, common to all INA members of the issues raised in the consultation.

Distribution network connection charges

We support proposals to remove contributions to reinforcement for demand connections and to reduce it for generation. However, in developing these proposals, there are principles that should be applied:

- Socialisation of the connection costs should remain within that broader customer group. For example: costs to socialise the connections of low carbon heat should be socialised across the domestic sector; demand customers should not pay for generation costs twice i.e. once through the subsidisation of connection and again through the DUoS charge; and wider customers should not subsidise dedicated EV charging station infrastructure. This would guard against inefficient investment decisions or overstating the capacity needed. To allocate additional reinforcement costs fairly, it is also necessary to review the use of system charging methodologies. We are concerned that divorcing changes to the connection charging boundary from the reform of use of system charging methodology will lead to distortions in the allocation of costs, undue cross-subsidies across different customer groups and inappropriate signals to consumers. This issue is pertinent to our members as the cost models underpinning DUoS charging regulate the revenue and margin available to them. Changing the connection charging boundary without consideration of the impacts to IDNOs and IDNOs' ability to recover their costs may create instances of margin squeeze.
- Reinforcement in advance of need to facilitate future new connections or a step change in the capacity should not be subsidised by the wider existing customer base and an Economic Test could be applied. Ofgem suggest that socialising the cost of reinforcement works will reduce the need for DNOs to undertake reinforcement



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incrementally. We are mindful that any reinforcement which is undertaken in advance of need by future connections could also have the effect of distorting competition in connections, closing competition by IDNOs for the provision of those assets.

Improved definition and choice of access rights

The INA agrees that arrangements for non-firm access or time-profiled access rights should be better defined. Non-firm access rights need to be considered in the context of wider use of system charging development so that they are effective. In the absence of DUoS reforms, customers would not be incentivised to accept non-firm connections (i.e. the connection costs for a non-firm connection will be the same as a firm connection). Further work is required on both non-firm and time-profiled assets to quantify the benefits, the method for allocation and any technology solutions to allow their effective operation. In the case of these being deployed on independent networks, IDNOs should neither be unduly rewarded or penalised where such arrangements only deliver benefits to the upstream DNO distribution system.

Ongoing transmission network charges

Generation connected at a distribution level can contribute positively and negatively to the efficient operation of the distribution system and the need for reinforcement at the transmission or the distribution level. However, from a TNUoS or DUoS charging perspective it will be treated in the same way. To ensure we preserve the established principles of cost reflectivity, we think that reform of transmission charging for generation connected to the distribution system should be considered at the same time as reform of DUoS charging for generation.

Please don't hesitate to contact me if you would like to discuss the response.

Yours sincerely,

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