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By e-mail to FutureChargingandAccess@ofgem.gov.uk

To whom it may concern,

Ofgem Consultation on Access and Forward-looking Charges Significant Code Review

Thank you for the opportunity to contribute to this review process. In answer I will refer to your Consultation 'Minded to Positions' document and to the CEPA-TNEI modelling and report.

Background

We are Neven Point Wind Ltd and we are in the process of developing a 30MW wind site on the Orkney Island of Eday and expect to submit to planning in March 2022. This project is an integral part of the 135MW minimum of production required to meet the needs case for the Transmission link to Orkney.

I am Dennis Gowland and I have been involved in early development of 2 consented projects in Orkney (each 20MW). I have been involved in the CUSC Governance process since 2007 as a member of various Standing Groups and Work Groups including CMP192 and CMP213. I was recently involved in CMP320, CMP317/327, CMP324/5 and CMP337/8.

This will be a brief overview of our views on the Ofgem position, as it stands, and we will engage closely with the SCR as it progresses through the process, including the CUSC modifications procedure.

We understand that the Ofgem positional document puts forward to main elements – for Embedded Generation less than 100MW:

New arrangements for Connection to the Local Distribution Network
New arrangements for paying for access to the exporting grid (cf TNUoS)

Proposals for distribution connection charging

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.

We have no position on the proposal to remove contribution to Demand reinforcement – presumably this will be rolled into DUoS. We have looked at the options for partial relief of upfront costs for Generators and for Island situations, such as ours, we would see them as inadequate. In fact the proposal to pay only for assets to connect at the same voltage would lead to no change for us – as we would be expected to connect at 33kVA and to pay for many kms of 33kVA subsea cable all upfront.

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?

See – above. We would receive no positive signal. In fact this deep charging scenario is at odds with the situation pertaining for Transmission connected generators of similar size.

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?

The current arrangements are a clear disincentive to siting wind generators in the best areas for resource in terms of the Distribution system. There is little incentive for Network owners to fund significant works without passing 100% of costs to Generators.

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?

There is currently no certainty of price signals as far as GDUoS is concerned. Our project has twice sought an estimate from the DNO and has been rebuffed on each occasion. The SCR proposals would make little or no difference to this situation. We can't see any clear pathway which would incentivise DNOs to move to a shallower connection regime under the Ofgem proposals.
In our view if SDG are to be, effectively, classed as Transmission connected then they should enjoy the same arrangements as comparable T-connected projects. Otherwise it would seem to be discriminatory. In the case of a DNO deciding to connect several wind projects of, together, some 100MW by a multiple of 33kVA subsea cables instead of 1 of 132kVA then there is nothing that individual generators can do to change this? How would Ofgem view this situation under the SCR?

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?

It would make a difference to projects which have to connect through extensive assets at the same voltage.

Question3f: 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?

It doesn't work under the current regime. It has to be included in a meaningful reform.

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)? What are the arguments for and against further considering introducing liabilities and securities to mitigate this risk?

The current investment climate is difficult in terms of high connection charges. It is compounded for SDG required to sign a BEGA that they must secure liabilities at 26% post planning consent as opposed to 10% for T-connected. This, is further evidence that much more must be taken into account when proposing to treat SDGs the same at T-connected for charging purposes if real discrimination is to be avoided.

Question 3h: 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? How do you factor in the effects of the ECCRs (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 ECCRs work together most efficiently?

No comment

We note that the proposal has ruled out paying for connection over an extended period. This offers no reduction in the hurdles already placed in front of projects looking at siting in areas of high renewable resource where costs of connection are likely to be high.

<u>Proposals for definition and choice of access rights</u>

Orkney has operated a successful Active Management System (RPZ) for over 15 years which is based on non-firm producers sharing the capacity on the distribution system. Perhaps this model could be expanded by a supportive policy where generators (and local consumers) can gain benefit from more efficient use of local networks and innovative storage.

Charging for use of the Transmission System (as TNUoS)

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?

See our overall comments.

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?

This figure seems to be entirely arbitrary no impact studies seem to have been undertaken to ascertain what such a level should be.

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

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 views on pros and cons. Are there any options we have missed?

Overall the modelled loss (TNEI model) to onshore wind projects of nearly £1bn in the D1 zone over 16 years (2024-2040) is truly eye-watering.

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?

Uncertainty has become a hallmark of charging policy with seeming piecemeal interventions adding to this. When serious investment decisions have to be made several years before commissioning, putting off a change or transitioning for a couple of years is unlikely to offer any meaningful mitigation.

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?

Let's have a real level playing field and have all generators contributing in a fair way by removing the Locational Charging ideology. Ofgem had a chance to begin this process by moving the Generator charging zones to align with those of Demand. CMP 324/5 Original was put forward and rejected even though it would have helped to build a starting base for contributions by SDGs. The decision to keep to the 27 charging zones, though better than the alternative which would have seen a marked increase in zones, is flagged by Ofgem as temporary with further uncertainty in the pipeline as the Expansion Factor is revisited as part of RIIO-2.

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 answer to this and by way of an overall view on the proposals as a whole it will be necessary to bear in mind the continuing reliance on a Locational Charging model designed to build out gas powered electricity generation in the late 70s and 80s. We are now looking at a different world where the UK along with many of the developed nations is looking to move to Carbon Net Zero within 3 decades. A system designed to give locational signals to hydrocarbon generation to site close to high concentrations of people and heavy industry has little or no relevance to the challenges which face the world 40 years later. Now, clean energy from diverse renewable and low carbon sources has become declared National policy and for more distributed demand centres replacing heavy industry and away from the coal mining areas that once provided its energy. New sites such as: data centres, hydrogen and fuel cell and new innovation centres based on the emerging green economy have emerged and are expected to expand. Peripheral areas can become high demand centres just as easily as urban conurbations and some of these areas have some of the richest and diverse sources of clean energy in wind, and marine wave and tidal stream.
A charging methodology which actively promotes investment in long term strategic goals toward increasing electrification to meet Carbon Zero is in the interests of all.

Remote Islands
In relation to 5.6
As links to remote islands develop, we are conscious that this scenario may become more commonplace, as embedded generators on an island may export using the cable connecting the island to the mainland, which might be another generator's Local Circuit. As part of our assessment of this issue, we have identified different options for resolving this type of distortion, but at present – given that it only relates to a single site and is theorised to become more commonplace in future years – we think that this is not a priority area for reform. That is not to say that we do not consider there to be the potential for a distortion, but in the context of the wider set of reforms and the potential for a broader review of charging arrangements, we are not convinced that SDG utilisation of local assets need be urgently addressed through this SCR. We are seeking stakeholder views on this point of prioritisation.

It is not immediately clear what Ofgem's position is from the section above.

For example
The estimates for capacity (export) charge at around £22.37/kW (TNEI table 5.2) in 2024 - rising to estimated £54.46/kW in 2040 are close to the figures for wider T connected (which I guess is the idea). However it is unclear what, if any, GDUoS charges may also be levied in respect of local connection assets. According to the SCR proposals plans for connection charges 'reductions' (Generators connecting to Distribution) - the likely scenario is a cap on paying 100% ONLY for assets of the same connection voltage to that connecting the generation plant. However, under the indicative proposals we were informed by SSEN the

subsea link connecting much of the proposed generation to meet the 135MW condition in the North Isles would be multiple 33kVa cables. Therefore, in this scenario, there would be no change to the current arrangement of generators paying 100% of all these assets up-front. Then there seem to be unanswered questions about access rights firm/non-firm compared to being T-connected.

Thank you for the opportunity to take part in this consultation.

Yours sincerely

Dennis Gowland
Director – Neven Point Wind Ltd