



Submitted via email to
futurechargingandaccess@ofgem.gov.uk

Monkton Reach, Monkton Hill,
Chippenham, Wiltshire, SN15 1EE
goodenergy.co.uk
enquiries@goodenergy.co.uk
0800 254 0000

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Dear Future Charging and Access Team

Good Energy's response to the Access and Forward-Looking Charges Significant Code Review Consultation on Minded-to Positions

Thank you for the invitation to respond to Ofgem's consultation on the NAFLC minded-to decision Good Energy supplies 100% renewable electricity and carbon-neutral gas to homes and businesses across the UK. Good Energy is working towards a renewable future, helping to support technologies including wind, solar, biofuel and tidal. Our purpose is to power the choice of a cleaner, greener future together.

Summary

- **More clarity needs to be provided with regard to the SCR process, and the prospective timelines of the NAFLC, Full Chain Flexibility and wider TNUoS Reform work.**
- **The proposed reforms to connection charging could provide benefits in incentivising uptake of low carbon technologies, but do not fully level the playing field between voltages and could result in a hiatus in deployment.**
- **Generation should receive the same treatment as demand and move to a shallow boundary.**
- **Access rights proposals may provide value for new connectees but there are missed opportunities in financially firm and shared access options.**
- **More explicit guidance on access compliance and enforcement needs to be provided to DNOs, to prevent user harm.**
- **We oppose the proposed changes to TNUoS for Small Distributed Generation which will result in further delays to renewable deployment on account of whittled down revenues and intolerable levels of regulatory uncertainty.**
- **The Embedded Export Tariff (EET) should remain capped at zero for sub-threshold generators to avoid the passing through of perverse dispatch signals.**
- **Transitional arrangements should be designed to prevent early plant closure.**
- **Great care needs to be taken when designing the administrative process supporting these reforms, with lessons learned from the TCR.**

The TCR and NAFLC SCRs

The work undertaken through the Targeted Charging Review, the Access and Forward-Looking Charges SCR, and the BSUoS Task force has left the future of network charging in a state of flux for the last three years. We fear, that in addition to the observable negative impact of the TCR on the revenue streams of renewable generators, that the regulatory uncertainty surrounding network charging (with regard to both the nature of coming



changes, and their implementation) will have dissuaded many investors at a time when we need to be rapidly expanding renewable capacity at all levels of the network.

These fears were raised at every juncture during the TCR policy development and were allayed by Ofgem on the basis that the NAFLC workstream would replace what was taken away in a manner more appropriate for the future charging regime. However, although there are some aspects of the connection boundary and access reforms which do bring benefits, the regulatory landscape for renewables remains far less hospitable than it once was.

SCR Implementation & Timing

While Ofgem have identified connection charging and access rights as low-regret options about which decisions can be made now, implementation of the entire NAFLC SCR would ideally be done together with the Full Chain Flexibility work being undertaken. Considering the challenges of time constraints, 2023 may be difficult if Ofgem wish to properly consider all evidence submitted in the consultation processes and allow time for the requisite code modifications to design the solutions. Beyond the constraints of policy design and implementation, there are other industry deadlines to consider, such as the DNO's requirement to publish their charges 15 months in advance.

The Connection Boundary

We are supportive of Ofgem removing obstacles to investment in Low Carbon Technologies, and the decision to make the distribution connection boundary shallow/er is welcome. However, the way in which Ofgem propose to implement this (reduced contributions for generation, removed for demand) may not be the most optimal solution.

Removing Distortions

While we recognise the principle that distribution connected demand might typically be less elastic than generation in terms of where it chooses to site, this is not always going to be the case, particularly at the more extreme ends of the spectrum. While housing developers and smaller businesses are unlikely to choose to site somewhere else because of high connection charges, this might not be the case for a larger commercial site requiring a relatively large connection. Similarly, while onshore wind and solar developers may well take connection charges into consideration when choosing a location, it is highly unlikely that a community energy outfit would do so. Therefore, we propose that reinforcement contributions should be removed for generation as well as demand.

We do not agree with the decision to retain the High Cost Cap, or the current arrangements for transmission reinforcement triggered by distribution connections. While we recognise that there would be challenges recovering the costs and that changes to the distribution licence may be required, not changing current arrangements is retaining a distortion between transmission and distribution.

Relationship with DUoS Reform

It is important to note that the staggered nature of this SCR's implementation means that choices made about connection charge arrangements will have consequences for future DUoS reform. For example, retaining reinforcement contributions for generation may mean that locational aspects of future DUoS arrangements may need to be dampened to avoid the signal being disproportionate. On the demand side, care will need to be taken to ensure that funding all reinforcement through DUoS, combined with more granular charging zones, does not result in detrimental distributive impacts whereby the new/upgraded connections of highly affluent consumers/businesses do not drive up the bills of their fuel poor neighbours.

Recovery of increased costs as network investment

Shallower connection charges will mean that charges will need to be recovered by other means. It is unclear about how this might be done, especially considering the new, undisclosed DUoS charging regime. Inclusion in the residual charge may lead to volatility year-on-year, for example. We consider that increased costs to be recovered should be done so as network investment and therefore spread over a longer period.



Hiatus in deployment

Moving to preferable connection boundary arrangements years into the future may create an unwanted hiatus in distributed generation coming online. Transitional arrangements for sites already in development should be considered.

Access Rights

Good Energy support the expansion of access options available to distribution connectees, which go some way in providing the opportunities for flexible connections. More defined options for users will increase the speed and reduce the cost at which low carbon technologies will be deployed. However, if the intention is truly as stated – to eliminate distortions between voltage levels – then further development of financially firm access for distribution connected users of the system is required.

Shared Access and Small Users

While we understand some of the concerns shared by Ofgem with regard to the difficulties of shared access products, their absence will come as a missed opportunity for groups of users like local community generation sites who supply local businesses and residential areas. We note that trials of shared access are continuing via the ENA and encourage Ofgem to keep abreast of how they develop.

The exclusion of small users at this point to safeguard from detriment is sensible, however, it is not clear from the consultation what Ofgem mean by small user – does this just mean domestic customers, or will small businesses be included to? Is the intention to define the user type by consumption, profile class, or something else? Clarity would be welcome.

Compliance and Enforcement

The consultation implies that DNOs will be left more or less to their own devices in defining an appropriate compliance and enforcement framework for users to agreed levels of access. We strongly feel that Ofgem will need to be much more explicit in their decision as to their expectations of how access arrangements might be assessed and the nature of any repercussions for exceeding an agreed level. For example, there should be checks on the magnitude of any fines or physical constraints (or even disconnection) at the disposal of a DNO. It is not enough to leave this process to be designed entirely in work groups as there will not be a balanced group of stakeholders who are able to engage and provide a balanced discussion as to the appropriate measures available.

TNUoS Charges for Small Distributed Generation

Based on the evidence provided in the impact assessment, we cannot support the proposal that SDG face TNUoS charges. The notion that doing so would provide a level playing field between transmission and distribution connected generation cannot be substantiated while the full benefits of SDG on upstream reinforcement and losses has not been accounted for. Our view is that this change will be damaging to many current and prospective generators.

That said, if Ofgem were to continue with the proposal the following points should be considered in order to limit the negative impacts of the change on SDG and the system at large.

SDG TNUoS Thresholds

A 1MW threshold is too low and would drastically increase the administrative burden on both generators and the ESO – more detail on this subject is given below. Giving the ESO better sight of the distribution network is not a valid reason to expand the charges to such small users, especially as DNOs are now required to maintain Embedded Capacity Registers in the wake of CMP 350. 5MW was previously considered as an option and would be much more appropriate as it would limit the administrative difficulties faced by only capturing parties likely to be able to engage with ESO.



Removing the Embedded Export Tariff (EET) Cap

The cap on the Embedded Export Tariff should remain at zero for sub-threshold generators. Removing it will lead to perverse market signals, such as generation in northern areas being sent a signal to turn down at periods of peak demand. Of course, this may not be the case if a wider review of TNUoS results in the elimination of TRIAD altogether, but this demonstrates further the need for decisions to be made together, rather than in a disparate nature.

Transitional Arrangements

This change will have a negative impact on new SDG deployment across the UK. Transitional arrangements are essential to ensure that it does not also do the same for existing plant. The lack of such arrangements may cause plant to close early, where investment decisions were made at an entirely different time, based on an entirely different cost stack. This is especially true for small community sites where investment decisions may have been made on fine margins, motivated instead by a desire to contribute to a more renewable electricity system.

This change should not be implemented until the direction of wider reforms are known and can be considered together, in the round. Additionally, some kind of grandfathering or phased approach will be essential to mitigate the damage done to distributed generation across the country.

Administrative concerns

We support Ofgem paying due consideration to the administrative complexity of this proposal. Our preferred option would be where SDG enter access agreements with the ESO, who would then charge supplier parties the relevant TNUoS rates. However, the implementation of the TCR presents some learnings for any proposed way forward. Particularly, the need to engage distributed generators in order to determine their status as Final or Non-Final Demand, has proven a time-consuming process with shortcomings in determining and communicating the different roles and responsibilities of various industry parties.

A future where SDG have access agreements with the ESO presents governance concerns, whereby they would not necessarily have means of representation in industry processes which would now impact them. An example of this is CUSC modification groups, where it can sometimes be difficult to convey their views of a moderately sized energy supplier, let alone a 1MW generator.

I hope you have found our response helpful. If you have any questions or would like to discuss further, please contact me at kit.dixon@goodenergy.co.uk.

Kind regards,

Kit Dixon

Policy and Regulation Manager