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Ofgem
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Dear Patrick,

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

The Distribution businesses of Scottish and Southern Electricity Networks (SSEN) welcome the above consultation and the opportunity to comment on Ofgem's minded-to position.

Overview of SSEN Distribution position

New customers want faster connection to the network at lowest cost. Whilst this needs to be balanced against the needs of our existing customers, delivering the number of new connections required to deliver Net Zero, is a significant challenge and requires a step change in how we plan and operate our networks. To meet this challenge, we need to develop our networks in a more strategic and co-ordinated manner and manage them more actively through a range of flexibility services and price signals. This requires new tools and capabilities, and we believe that a key part of the tool kit is a greater range of access products. This can provide greater choice for our customers, helping to match their needs with those of our network, whilst retaining appropriate safeguards to keep costs down for all customers. Consequently, Ofgem's Access and Forward-looking Charges Significant Code Review (Access SCR) minded-to decision (coupled with appropriate implementation) is critical to the delivery of Net Zero at lowest cost for customers and SSEN Distribution is broadly supportive of the minded-to position set out by Ofgem in its consultation.

In principle, we agree that the shift to a more shallow connection boundary and better defined access choices will make it easier for new parties to connect, particularly where the network is constrained. It will also enable network operators to take a more co-ordinated, strategic approach to investment. This will be crucial for enabling timely provision of capacity for low carbon technologies and renewable generation - we cannot deliver Net Zero efficiently through piecemeal development of the network in response to sporadic connection requests. Further, it can act as a catalyst for expanded use of flexibility on our networks, which can help keep costs down for all customers.

Our pre-requisites / Points requiring further consideration

We recognise that this is a complex area with a number of interactions. Our broad support for Ofgem's consulted upon position is dependent on a number of factors. These are set out below:

1. Customer safeguards

We believe it is important that the generality of customers are protected from uncapped higher cost connections and that inappropriate cross subsidy and inefficient use of the network is avoided.

At this time, we can only assess the likely behavioural impacts caused by the proposed changes; the real impacts and how customers behave will not be understood until the changes are in force. Therefore, to ensure customers are protected from the move to a more shallow connection boundary, we support the continuation of the safeguard offered by the High Cost Cap (HCC) for Distributed Generation. Further, we believe this should also be extended to demand connections.

Ongoing review of any changes will also be key to ensure that the impacts are monitored and understood and that unintended consequences / cross-subsidy concerns are kept to a minimum.

2. An effective ED-2 framework

It is key that the regulatory framework recognises that the minded-to decision on the Access SCR shifts both risk and costs away from connecting customers and on to network operators. The ED-2 price control settlement needs to account for costs that would have been treated outside of the price control mechanism as customer contributions which, under Ofgem's minded-to position, now need to be recovered by network operators through the price control framework. We would welcome clarity on the process which Ofgem will use to align the ED2 framework to its Access SCR decision to give us certainty around the recovery of costs. This clarity will be crucial for our ability to invest strategically in our network to ensure timely provision of capacity for our customers in ED-2.

Moreover, the price control mechanism needs to recognise that customer behaviour in response to Ofgem's minded-to position cannot be ascertained upfront, yet funding needs to be made available ahead of need. There cannot be a lag between need and funding. Importantly, should Ofgem's final decision differ from its minded-to position, the framework must be capable of responding to this.

Indeed, failure to put in place an agile and flexible funding arrangement that provides the required funding ahead of need in ED-2 will result in a new barrier to connection and

undermine the rationale for Ofgem's Access SCR decisions, placing the delivery of Net Zero at risk.

3. Extending current TNUoS arrangements to Small Distributed Generation (SDG)

We do not believe it is appropriate to extend the current TNUoS arrangements to Small Distributed Generation (SDG) at this time. Both Ofgem and stakeholders have already acknowledged some of the issues with current TNUoS arrangements. As such, we believe the current TNUoS arrangements warrant wider review to ensure that they are fit-for-purpose ahead of any decision to extend their reach, particularly given the significant potential to adversely impact network users.

4. Change management programme

Given the reach of the proposed changes and the impacts of Ofgem's Access SCR on all connected parties, we believe Ofgem must work with network operators to establish a change management programme to sit alongside implementation of its Access SCR reforms. This needs to ensure that customers have the necessary support to navigate through these changes and to ensure that no subset of customers is unfairly and adversely impacted or left behind. A key part of this will be appropriate transitional arrangements to manage and smooth, as far as possible, implementation.

For some stakeholders, particularly small distributed generation in the North of Scotland, the proposals could have a very significant and detrimental impact, and we encourage Ofgem to give certainty as soon as possible and to develop suitable transitional arrangements as appropriate.

5. Re-assessment of potential risk from treating demand and generation differently

Whilst we understand why Ofgem has taken the minded-to position to treat demand and generation differently at this time, we are mindful that its proposal to establish different charging boundaries for demand and generation may have unintended consequences, particularly in the longer-term as flexibility markets develop.

Before finalising its decision, we therefore encourage Ofgem to ensure that it has fully considered the longer-term impacts that this new distortion may impose on the evolution of those markets, which will be so critical to delivering Net Zero at efficient cost.

6. Minimising future uncertainty / re-instating confidence

Finally, we are keen that every effort is made to minimise the level of uncertainty going forward. While well intended, our stakeholders tell us that Ofgem's Access SCR has resulted in a considerable period of uncertainty for the industry as a whole. We do not believe this level of sustained uncertainty is helpful.



We consider that efforts should now be focused on the detailed implementation and that any further review should be ring-fenced to ensure that this uncertainty is time-bound and clear. The timelines proposed by Ofgem for implementation of its minded to position are exceptionally challenging and Ofgem must ensure its final decision is sufficiently clear and detailed to avoid further delay.

We hope this clearly sets out our position on Ofgem's minded to consultation and serves as useful input. Should you wish to discuss any aspect of this response, please do not hesitate to get in contact.

Yours sincerely,

Graeme Keddie

Director of Regulation and Corporate Affairs
SSEN Distribution

[There are no questions 1-2]

3. Connection boundary

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 are supportive of the principle of moving towards a shallower connection boundary – particularly as the transition to Net Zero will require even higher use of our electricity networks and efficient network investment, using a blend of flexibility and traditional reinforcement, to release the capacity needed. A shallow boundary, in particular, will enable the most efficient network investment at the pace the transition to Net Zero requires.

As a general principle, we believe all customers should be treated on an equal basis irrespective of technology or import/export characteristics, etc. We note that Ofgem's analysis highlights that many demand customers are unable to respond to locational reinforcement signals in a way that is likely to lead to greater network efficiencies and that there is a risk that such signals may even discourage essential Low Carbon Technologies from connecting in areas of most need. We also note that Ofgem's analysis suggests that generation customers may, however, be more able to respond to locational reinforcement signals. This broadly aligns with our own experiences and working with stakeholders.

As such, whilst it is unusual, we accept that a differential treatment of demand and generation may be an appropriate way of enabling the benefits of a move towards a shallower connection boundary, particularly in the absence of any wider adjustment to DUoS. However, before finalising its decision, we would urge Ofgem to ensure that it has fully considered:

- (i) the longer-term impacts of introducing this new distortion on the evolution of flexibility markets, which will be so critical to delivering Net Zero at efficient cost; and
- (ii) what this means for customers that exhibit both demand and generation characteristics.

It is key that this conscious decision to introduce differential treatment is properly thought through and assessed to ensure that no unintended consequences are created.

We are also conscious that the move to a shallower connection boundary carries the risk of cross-subsidy. Safeguard mechanisms, such as the HCC, are an effective tool in managing this risk and we believe this should be extended to demand connections, as well as continuing to apply to generation. Again, we would encourage Ofgem to monitor the ongoing performance

of these new arrangements to avoid any unintended consequences or cross-subsidy and to ensure that the HCC continues to be set at the appropriate level.

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?

As a network operator, we are not always aware of parties' plans to connect that are disrupted/over-turned by the current arrangements. However, our data shows that, for all connections across our two regions, the difference in acceptance rates between offers with reinforcement and those without is less than ten percent, with relatively little difference between demand and generation connections. Despite this, in response to engagement with our stakeholders following this consultation, 75% of respondents told us that the current arrangements had had an impact on the capacity of their connection requests.

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?

As stated above, as a network operator, we are not always aware of parties' plans to connect that are disrupted/over-turned by the current arrangements. However, from our perspective, the current arrangements have facilitated efficient development and investment in distribution networks to date by sending a price signal based on the network capacity that is available. Notwithstanding this, it is recognised that: (i) not all parties can respond to this locational signal; (ii) only 'last-comers' are actually exposed to this signal and may be 'locked-out' as a result; and (iii) these arrangements do not support the level of connections now anticipated and required to deliver Net Zero.

Moreover, it is recognised that by moving to a shallower connection boundary arrangement, this reduces the likelihood of piecemeal network development and presents a greater opportunity to take a more strategic and holistic approach, whereby network companies can more broadly assess the economic and efficient options able to support both current and future growth projections. If undertaken effectively, strategic planning and investment in our networks can both minimise the costs and increase the pace of delivering Net Zero.

Importantly, the mechanisms for funding network operators to deliver these connections need to be agile and flexible and capable of responding in timescales that do not introduce a

new barrier to connection activity. Indeed, failure to put in place a mechanism that releases this funding ahead of need for network operators in lieu of customer contributions, will become a real barrier to the delivery of Net Zero. This will be particularly true where re-openers are developed and relied upon. For example, it will be key to design out burdensome re-opener mechanisms that result in a lag in network operator funding. Instead these mechanisms must be carefully designed to proficiently deliver this shift in approach.

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?

If this question is asking whether by reducing the cost of connection for individual parties, there is a risk that parties are less driven to participate in the provision of flexibility services, we do not believe these should be conflated. Removing the contribution to reinforcement for demand connections and reducing it for generation will better facilitate connections. The more parties that are connected, the greater the need for flexibility services to manage the network and the greater the pool from which to procure these services and establish a competitive market.

The proposals for a shallow connection boundary for demand, in particular, will remove the hard linkage between connection reinforcement and minimum 'capital' scheme. This will enable a wider range of flexible and traditional reinforcement options to be considered across both strategic and tactical timescales. Similarly, access choices, such as limits on the degree of curtailment, are expected to lead to wider opportunities for new and existing flexibility service providers.

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?

We are keen to reduce any barriers, perceived or otherwise, to the connection of low carbon technologies. However, we believe there is still a need for specific safeguards to ensure that this does not result in a disproportionate cost burden falling on the relatively few customers in the North of Scotland and other remote or sparse areas of network, and indeed inefficient utilisation of the network.

In sparse areas and remote networks (such as much of the North of Scotland), reinforcement costs can be exceptionally high. Under the existing arrangements, costs in excess of the HCC (£200/kW) are met in full by the customer.

In SHEPD, previous analysis showed that only a small proportion of DG offers (less than 3%) triggered the HCC, however these projects accounted for approximately 13% of the reinforcement costs for DG projects. Removing the HCC is likely to lead to a significant increase in SHEPD's reinforcement costs, funded through DUoS.

For this reason, we strongly support the continuation of the HCC at the same level as at present to maintain similar financial safeguards for all customers as currently provided by this mechanism. Further, we believe it should be extended to demand connections and sit separate from the voltage rule. The fact that demand connections may no longer contribute to reinforcement at the voltage level above the point of connection, makes this all the more necessary.

Question 3f: 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?

From the perspective of New Transmission Capacity (NTC) Charges, we believe the direction taken elsewhere in Ofgem's Access SCR to reduce potential barriers to connection, better aligns with NTC Charges being recovered by the network company. We are mindful of the complexities that Ofgem has highlighted in taking this approach and we would be keen to explore this further.

Separately, it is also worth noting that the change in connection boundary for generation, alongside the proposed treatment for Transmission-related reinforcement costs for Distribution connections, will be treated differently in Scotland due to the different asset ownership voltages relative to England and Wales. For example, a 33kV connection that triggers 132kV reinforcement in Scotland will be treated as Transmission reinforcement and, based on Ofgem's position as set out in this minded-to consultation, would not be recovered through DUoS. Rather, pending the treatment of NTC Charges, the connecting customer would be exposed to these costs. However, an equivalent connection in England and Wales, where 132kV is considered a Distribution voltage, would see the costs of any 132kV reinforcement recovered through DUoS.

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)? Are there good arguments for further considering introducing liabilities and securities to mitigate this risk?

We believe it is important that the generality of customers are protected from uncapped higher cost connections and that inappropriate cross subsidy and inefficient use of the network is avoided.

The risk of parties cancelling projects does increase with reduced exposure to costs; the larger the connection, the greater this risk becomes. In many cases, where a party fails to connect, we would expect other connection applications to come forward and utilise the available capacity / infrastructure in due course.

Generally, we do not believe introducing liabilities and securities is the best approach to mitigating this risk, particularly for smaller connections and at lower voltages; this introduces cost and complexity and feels at odds with the drive to reduce barriers to connection. However, we are mindful that, for particular market segments, user commitment may be a necessary and prudent safeguard.

Notwithstanding the position set out above, we believe much of this risk can be offset by the more flexible, strategic approach to accommodating connecting parties, and through the retention of the HCC for generation customers. Indeed, throughout this response, we advocate the HCC being extended to demand customers too.

Finally, it is important that costs incurred by network operators in response to information available at the time and acted on in good faith, are not subsequently regarded as inefficient expenditure should the connecting party fail to materialise and the capacity/ infrastructure remain under-utilised.

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?

It is our view that the most effective way to ensure that the ECCRs interact as intended with the connection reforms is for legislative change to be implemented. This would ensure that the legislation is accurate and up to date with wider industry change and would provide certainty for DNOs in applying the ECCRs.

However, we recognise that this will take time and we have been working in collaboration with the other DNOs to consider interim options, focusing on demand initially. Further work is required, but of the options that have been developed, we consider the only viable option to be to utilise the following statement in the ECCR 7(4) as allowing network operators to have regard to the SCR changes when calculating the relevant ECCR charge: 'The appropriate proportion of the net first connection expenses is the proportion of those expenses which appears to the relevant electricity distributor to be reasonable having regard to all the circumstances...'. This would only be suitable on an interim basis due to the unnecessary administrative tasks required, until such time as the legislative changes are developed and implemented and therefore this should remain a priority.

4. Access rights

Question 4a: Do you agree with our proposal to introduce better defined non-firm access choices at distribution? Do you have comments on their proposed design?

Flexible connections (i.e. curtailable access rights) have become a popular access choice for generators that wish to connect to networks with limited spare intact network capacity, faster and without incurring additional reinforcement costs.

Energy usage across networks can change over time and this can lead to changes in the amount of curtailment a customer may experience. We welcome the introduction of agreed limits to the level of curtailment as a way of providing customers with increased confidence and certainty. We also consider that this change will be helpful to network operators in providing a clearer signal as to when additional network investment may be necessary.

Key to the success of these arrangements will be ensuring that the rights are clearly understood by all parties and that parties have visibility of their current access levels relative to their agreed rights and when limits are close to being reached. It is important that the level of curtailment agreed at the outset is within the capacity of the intact network at the time of connection and that the agreed curtailment of an intact network (to accommodate additional connections within the existing capacity) is not conflated with network outages, such as essential maintenance or system emergencies, which are separately defined in the applicable planning standards.

Separately, it is worth noting that some flexible connections at distribution have been established in response to Transmission level constraints. Ofgem's minded-to position does not set out how these should be treated or who would be responsible for addressing any situations where curtailment is exceeded. Whilst we would assume that this would be the responsibility of the Transmission companies, this would need to be made clear.

It will also be key that in providing these ‘better defined’ access choices, DNOs are adequately resourced to deliver on these. The regulatory framework and funding arrangements must recognise that better defined access choices shift both costs and risk from connecting parties to network operators and, as such, the framework must ensure that network operators have the necessary provisions to ensure that committed capacity levels are available when needed.

Question 4b: Do you agree with our proposal to introduce new time-profiled access choices at distribution? Do you have any comments on their proposed design?

The introduction of standardised time-profiles is likely to improve understanding and wider accessibility of these choices. However, it is unlikely that standardised patterns will perfectly match existing network utilisation and, in some networks, the introduction of standardised patterns may unintentionally increase networks peaks and trigger the need for flexibility services or reinforcement.

Key to the success of these arrangements will be ensuring that users’ actual access is in line with their rights, i.e. that this is effectively monitored, and appropriate (proportionate) arrangements are in place to ensure that rights are adhered to.

Again, we agree that it is not appropriate at this time to extend this choice to small users.

Question 4c: Can you identify any benefits to shared access rights, which would indicate we have underestimated the likely take-up?

In terms of shared access rights as defined under Ofgem’s Access SCR, we agree that the current focus is best placed on non-firm and time-profiled access choices, as identified. However, outside the scope of the Access SCR, we fully support efforts to promote and support the development of curtailment trading and access right exchange between parties and we are actively involved in the relevant workstreams to progress this through the ENA’s Open Networks.

Question 4d: Do you have any comment on our proposed choice about how to reflect access rights in charges (i.e. connection and/or distribution use of system charges)?

Non-firm access rights

Non-firm access rights help to mitigate network costs and enable quicker connections.

For generation customers, under a shallower connection boundary, the benefits from both avoided reinforcement costs and quicker connections could be material and allow an informed choice between the choice of curtailable or non-curtailable access rights.

For demand customers, under a shallow connection boundary, the only material benefit is the speed of connection, and we anticipate that customers would look to transition to non-curtailable access rights as soon as this became available.

Although these benefits have greatest visibility at the time of connection and we accept that it might be difficult to signal these benefits through DUoS in a targeted way, given the above, we consider there may still be merit in pursuing options that reflect the cost of avoided reinforcement so that customers are able to make informed choices over their level of flexibility throughout the course of their connection.

Time-profiled access rights

We agree that time-profiled access rights lend themselves best to being implemented via DUoS charges. However, as per our response to 4b, it is unlikely that a standardised set of choices will exactly match actual periods of spare network and, as such, any adjustment to DUoS is likely to only be able to reflect the average benefit / cost of these choices.

For both sets of access right choice, care is required to avoid over- (or under-signalling) any benefit across both connection and ongoing DUoS charges and to ensure that charges are reflective of any increased costs needed to enable, monitor and enforce these choices.

Question 4e: Do you agree with our proposal to not prioritise the introduction of new transmission access choices as part of this Significant Code Review?

We agree that this is not a priority area at this time.

Question 4f: Do you have views on how access rights should be standardised across DNOs?

Standardisation can improve awareness, understanding and replicability, but it also risks unintended consequences through potential loss of detail and/or inappropriate application.

We would recommend that standardisation should be sought in key areas such as: definitions; terminology; terms and conditions; and, potentially, in calculation methodology and sanctions should customers exceed their allowance, but that its application should always be site-specific. For example, any agreed level of curtailment must be within the capability of the network at the time of connection, or capacity must be available to match an agreed time-profiled access right.

Question 4g: Do you have any views on our proposed timescale of 1 April 2023 implementation?

The short timescales between now and the intended implementation date of 1 April 2023 are exceptionally challenging, not least given concurrent work to finalise ED-2 Business Plans, which are being developed on the basis of Ofgem's Access SCR minded-to positions, and work to prepare for ED-2 implementation. We would urge Ofgem to ensure that its final decision is sufficiently clear and detailed to avoid further delay, and to help minimise uncertainty for all parties and the knock-on consequences for investor / customer behaviour. Crucially, any significant changes between this minded-to position and Ofgem's final decision will have implications for ED-2 plans and the industry as a whole. We note that the ENA has already begun forming Working Groups to support implementation.

More broadly, with DUoS and TNUoS aspects not concluded, there is significant ambiguity remaining that has both limited our ability to review these proposals in full and led to significant confusion and uncertainty amongst wider stakeholders. For some stakeholders, particularly smaller distributed generation in the North of Scotland, the proposals have the potential to have a very significant and detrimental impact, and we encourage Ofgem to give certainty as soon as possible and to develop suitable transitional arrangements as appropriate.

Likewise, the anticipated changes in connection and network usage behaviours as a result of these proposals are very uncertain. This places an important responsibility on the correct design and operation of uncertainty mechanisms in both the lead-in to and throughout RII0-ED2.

The outcomes of the Access SCR must be considered as a change management programme and, through Ofgem's leadership, ongoing effort and attention is needed to allow all parties to adjust to these new arrangements. Necessary measures could include educational support, transitional arrangements and appropriate mechanisms to ensure that no one is disadvantaged as these changes are made and implemented.

5. TNUoS charges for SDG

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?

We do not believe this is an accurate assumption. The extent to which SDG contributes to flows and utilises Transmission assets is subject to the specific access arrangements in place on a case-by-case basis. SDG may have firm, managed or, in some cases, no access to parts of the Transmission system depending on the access/connection arrangements in effect.

We are particularly mindful that this is called out in Ofgem's consultation in relation to SDG on remote islands, but it is worth highlighting that there are circumstances on the mainland where flows are subject to conditions that limit their impact on wider networks. For example, in our southern England licence area, we have our South West Active Network (SWAN) project and other local intertrip schemes to manage or reduce the access of Distribution connected generation to address Transmission network constraints.

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?

We are supportive of and encourage wider review of TNUoS before consideration is given to its application to SDG.

Thresholds invariably create boundary distortions and, where parties are already connected to the network, any potential change risks undermining users' investment decisions and future viability. It is key that any changes to the TNUoS threshold and application of these charges to a wider population is done in a way that does not unduly undermine existing connections.

We note the Distribution network impacts set out in CEPA-TNEI's report at section 5.2.2. We would welcome sharing of the more granular results which CEPA-TNEI appears to have produced to facilitate a better understanding of CEPA-TNEI's assessment of impact on each DNO area.

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

See also our response to 5a. We can provide further evidence on specific cases if helpful.

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 reasons. Are there any options we have missed?

We agree that a wider review of TNUoS is warranted and, to avoid short-term volatility caused by uncertainty and piecemeal change, we believe it is prudent to await the outcome of this wider review prior to making any changes to the current arrangements, not least to mitigate the risk of precluding or restricting possible future options.

As such, we do not believe it is appropriate at this stage to comment on the options for addressing any potential local charging distortion. Given that this has not been a priority to date, detailed analysis would be required ahead of any proposed reform to local TNUoS charges, not least clarity on how any reform of current TNUoS arrangements at a local TNUoS level would sit alongside efforts to deliver a more decentralised, smarter and decarbonised energy system central to enabling Net Zero.

We also echo the concerns of our stakeholders that ongoing ambiguity and uncertainty in this aspect can be disruptive in itself and we encourage Ofgem to clarify timescales of any further changes or decision not to change at the earliest possibility.

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?

As above, we agree that a wider review of TNUoS is warranted and that it is prudent to await the outcome of this wider, more comprehensive and robust review, prior to making any changes, particularly given the potential impact of such changes and potential long-lasting effects on investor confidence.

However, in the event that Ofgem implements its reform of wider TNUoS charges for SDG, it is paramount that transitional arrangements are put in place. Whilst it is widely recognised by users that distribution network charges are subject to year-on-year variation, SDG in the North of Scotland is anticipated to be amongst the most adversely impacted by TNUoS reform, with current charge positions shifting to become material charges. As such, in response to any reform, we believe Ofgem must consider a change management programme with established support packages to ensure that no subset of parties is unfairly and adversely impacted or left behind, including through appropriate grandfathering arrangements.

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?

We believe this should form part of the wider TNUoS review that is to follow this Access SCR.

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?

It is clear to us that stakeholders value certainty and confidence in these arrangements. Therefore, whilst it is important to address shortcomings and ensure that the arrangements are consistent with critical policy drivers, not least Net Zero, this needs to be done in a way that recognises and seeks to minimise uncertainty and instil/restore longer-term confidence.

It is therefore key that Ofgem is clear about the outstanding areas of reform and the scope of any further review, including the timescales for this. It is also key that Ofgem is clear on the areas that are out of scope for further review and reform. These are complex areas and the potential for review and reform to take many years – on top of the years already dedicated to the Access and Forward Looking Charges SCR – needs to be carefully managed given the potential impact on all parties and achievement of Net Zero. Against this background, we consider the main future focus for reform should be on a wider strategic review of TNUoS. Importantly, as noted elsewhere in this response, we believe this should be conducted ahead of any change to the current TNUoS arrangements and application.

Notwithstanding this, we believe network charging and the behavioural changes brought about through the implementation of Ofgem's Access SCR decisions, will require close and continual monitoring to ensure that the impacts of these changes are consistent with Ofgem's intent and do not result in unintended consequences and unforeseen market distortions. This will be particularly important as other workstreams evolve and progress, not least Ofgem's Full Chain Flexibility work, to ensure that the overall impact remains appropriate.

In terms of implementing its minded-to position on connection boundary and access rights, we would urge Ofgem to work quickly to develop the detailed arrangements, including transitional arrangements to give certainty to existing parties that have already had to withstand a long period of uncertainty, and the detail required to allow network operators to establish full and proper implementation plans. We are mindful that 1 April 2023 does not give a lot of time.



[There is no question 6]

7. General question

Question 7: Do you have any other information relevant to the subject matter of this consultation that we should consider in developing our proposals?

All relevant information has been included at the relevant point throughout this response.