

David McCrone
Ofgem
10 South Colonnade
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London
E14 4PU

23rd August 2021

Dear David,

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

Energy Assets Networks Ltd operates in the market as an Independent Distribution Network Operator. We welcome the opportunity to respond to the above consultation and do not consider any views in this response to be confidential.

We have reviewed and provide below our comments on the proposals for the 3 key areas: distribution network connection charges; the definition and choice of access rights and the future of transmission network charges.

Distribution network connection charges

We agree that the initial intention of connection charges was to be a signal to customers to avoid connecting in areas where the networks were already constrained leading to a requirement for reinforcement. The current allocation of these costs could potentially be a barrier to the rolling out of the work required on the networks to support the electrification of heat and transport. This will significantly risk the connection of low carbon technologies across the whole system and stifle the work required to achieve net zero targets.

We therefore support the proposals to remove contributions to reinforcement for demand connections and to remove altogether for generation connections. However, we do believe that the contributions should only be applied to the consumers driving the new network costs and not cross-subsidised by other consumers e.g. domestic consumers contributing to commercially-driven connections e.g. commercial EV charging stations. Any reforms to use of system charging must take in to account the risk of cross-subsidies and inappropriate signals to end consumers. The ability for IDNOs to recover revenue is underpinned by the cost models used in the calculation of DUoS tariffs and any reforms to connection charges must not introduce the potential for margin squeeze as a result e.g. distortions in the allocation of costs or inappropriate cross-subsidies by different consumer groups.

We also believe that reinforcement in advance of a need to facilitate future new connections should not be subsidised by the wider existing customer base. Reducing the need for DNOs to reinforce incrementally could also have the effect of distorting competition in connections - closing competition for IDNOs to provide those assets. There is a risk that DNOs' reinforce for future new connections, supporting extensions to their existing networks at the prospect of a future development and remove the opportunity for IDNOs to compete.

Improved definition and choice of access rights

We agree 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. Customers who agree to non-firm arrangements should be compensated for the benefits they bring to the whole system and not be liable for the same level of charges as customers who have firm arrangements. 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, for both non-firm and time profiled access further work is required to understand and develop solutions where such arrangements may be appropriate for IDNO networks or for customers connected to IDNOs. IDNOs should neither be unduly rewarded or penalised where such arrangement only delivers benefits to the upstream DNO distribution system.

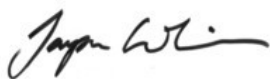
Due to the need for further work to be carried out, we would urge Ofgem to consider the resource that it, and industry, is required to commit to the work to meet an April 2023 implementation date and reflect whether that date is achievable, or whether a more incremental approach for implementation is more desirable - particularly with regards to the programmes currently progressing under Ofgem's Targeted Charging Review, Faster Switching and Market-wide Half Hourly Settlement. There has been significant (and some unforeseen) work to support these existing reforms and the resource required. Providing yet further resource to commit and achieve an April 2023 implementation date could be put at significant risk as a result.

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.

We look forward to the outputs of the consultation and would welcome the opportunity to engage with all stakeholders to ensure the desired outcome of Access and Forward Looking Charges is achieved, without a negative impact on competition in connections, at fair cost to the relevant consumer and supporting a strong step towards achieving net zero targets.

Yours sincerely,



Jayson Whitaker
Managing Director