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21<sup>st</sup> February 2022

Dear Patrick,

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

*About RenewableUK*

RenewableUK's members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK and our members welcome the opportunity to respond to Ofgem's consultation on updates to minded-to positions for the *Access and Forward-looking Charges Significant Code Review (Access SCR)*. For reference, some key points from our response on the original minded-to positions consultation (June 2021) are detailed below:

- We welcome the proposal of removing the contribution to reinforcement for demand connections and reduce it for generation. It is difficult to assess the overall impact of this proposal without any indication on DUOS changes which Ofgem has proposed to descope from this SCR.
- We think that a better defined, non-firm access must be introduced in a way that distributed generators are able to predict when curtailment is likely to happen.
- We believe that the current TNUoS charging regime is not fit for purpose to deliver an economically efficient transition to net zero. Therefore, we strongly support the proposal to reassesses the case for TNUoS charges for SDG as part of a wider review of TNUoS.
- We think, if implementation of TNUoS charges for SDG were to be progressed, there is a strong case for grandfathering sites that will be adversely affected by the regulatory changes. Grandfathering should apply where significant capital investment has already been made.

## TNUoS

We strongly welcome Ofgem's decision to no longer direct changes to TNUoS charges under the *Access SCR*, including the application of charges to small distributed generators (SDGs). As stated in our previous consultation response and in our response to the October 2021 call

for evidence on TNUoS reform<sup>1</sup>, we believe that the current charging regime is not fit for purpose to deliver an economically efficient transition to net zero. RenewableUK and our members keenly await the response to the call for evidence; we are delighted that Ofgem are engaging with the industry on this crucial issue and are ready to support TNUoS reform in any way that we can.

## DUoS SCR

In our response to the November 2021 consultation *Proposals to take forward the reform of DUoS charges under a separate SCR on revised timescales*<sup>2</sup>, RenewableUK and our members affirmed that taking forward DUoS under its own dedicated SCR is a sensible decision, which should be progressed as soon as possible. Reforms to DUoS and the wider energy market are welcome, but understanding how they all tie together can be quite challenging. There are high levels of uncertainty, confusion and fatigue experienced by industry, and to counteract this, our members would like Ofgem to set out a clear roadmap of DUoS reform with an achievable timeline, including interaction with other policy priorities from government.

We note that many of the decisions on connection boundary and access rights are difficult to evaluate and assess without having clarity regarding DUoS charges, as their policy outcomes are all linked. Descoping DUoS from the Access SCR will now mean that some proposals in the Access SCR must be implemented post-2023, which is not ideal. Therefore, we would like to see Ofgem developing an agile approach to this process, taking into account the lessons from the past, in a way that does not delay further policy decisions that are important for the industry.

## Distribution connection charging boundary

We welcome the proposals to remove contributions to reinforcement for demand connections ('shallow') and to reduce them for generation ('shallowish').

**2ai.** *Do you believe that it is necessary to introduce a High Cost Cap (HCC) for demand, and to retain one for generation?*

We believe that introducing a HCC for demand is a good step forward towards a more balanced treatment of charges for demand and generation. However, assessing the value of a high cost cap (HCC) for demand is difficult without more information on the future of DUoS charges. We do agree that the retention of a HCC for generation coupled with a shallower connection boundary strikes a sensible balance.

**2aii.** *Do you believe that our proposals to do so represent sufficient and proportionate protection for DUoS billpayers against excessively expensive connections driven reinforcement?*

In their 4 February 2022 webinar, Ofgem confirmed that the proposed HCC for demand will be a flat value, and not indexed. In real terms, this means the value of the HCC will shrink over time, sending an inconsistent signal to market participants. A flat HCC will mean more and more reinforcement will fall outside the threshold, which is inappropriate. We urge consideration of the unintended consequences of a real-term constant HCC threshold.

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/tnuos-reform-call-evidence>

<sup>2</sup> <https://www.ofgem.gov.uk/publications/consultation-our-proposal-take-forward-reform-distribution-use-system-charges-under-separate-significant-code-review-revised-timescales>

**2a.iii.** *What are your views on retaining the current ‘voltage rule’ to determine whether the HCC is breached (ie considering the cost of reinforcement at the voltage level at point of connection and the voltage level above)?*

We support the principle behind the proposed connection boundary changes so that generation can contribute to reinforcement at the point of connection only. A level playing field approach should extend this principle to transmission connection works triggered by a DNO at distribution. Transmission reinforcement costs should not fall wholly on users at lower voltage – future decisions on charging should strive for consistency on this issue.

**2a.iv.** *What are your views on the principles we have proposed to determine an appropriate HCC level for demand, including the potential for this to be set at a different level to generation under these principles?*

**No comments.**

**2b.** *What are your views on our proposals to maintain the requirement for three-phase connection requests to pay the full costs of reinforcement, in excess of Minimum Scheme (ie lowest overall capital cost)?*

**No comments.**

**2c.i.** *Do you agree with our proposals to maintain the current treatment of speculative connections and is there a need for further clarification on the definition of speculative connections?*

**No comments.**

**2c.ii.** *Do you agree that our wider connection boundary proposals broaden the disparity between connections deemed to be speculative versus non-speculative? If so, do you believe this needs to be addressed and how?*

**No comments.**

**2d.** *Do you consider that our proposed DUoS mitigations (a demand HCC, and retaining reinforcement payments for three phase and speculative connection contributions) present a cohesive package of protections for DUoS billpayers? Do you consider these proposals to interact in any way that could counter their effectiveness, and if so, how?*

**No comments.**

**2e.** *Do our updated proposals to treat storage in line with generation for the purposes of connection charging simplify charging arrangements for these sites and better align with the broader regulatory and legislative framework?*

We welcome Ofgem’s clarification that storage is currently being treated as subset of generation, which means it will move to a ‘shallowish’ connection boundary under the current proposals. This is better than the current status quo where storage has to pay for both import and export if it triggers reinforcement works on either side.

While it is closer to generation in behaviour than demand, storage is a unique service that both imports and exports power. The key benefit of storage assets is that they can respond to the needs of the network. We note that in the 4 February webinar, Ofgem confirmed they do not have any evidence that storage can behave differently when it comes to network reinforcement. The updated connection queue principles allow for storage to be treated as an alternative to network reinforcement and contract with DNOs to provide those needs and facilitate the connection of other users to the network. As such, storage can align with a DNO’s operational criteria that explicitly avoids triggering network reinforcement. We believe further

consideration should be placed on storage and the overall net benefit it can provide to the whole system. Assessing storage as a subset of generation might also lead to unintended consequences and risk missed opportunities to locate storage in areas of the network where it can alleviate network reinforcement needs on the demand (import) side.

Ultimately, we believe there is a need to introduce a dedicated storage licence within the broader regulatory framework. This will take into account the differences in behaviour between storage and generation. We are aware that the in-progress SQSS review<sup>3</sup> considers the treatment of storage which might have greater repercussions on the overall treatment of storage at all levels from an access and charging perspective.

RenewableUK would welcome cost-benefit analysis on this issue, but overall we expect this move to lead to cheaper connection charges for generation, storage and collocated projects from April 2023 onwards. A key point here is the changes made to DUoS charges, and therefore speedy delivery of the separate DUoS SCR is important.

**2f.** *Do you agree with our proposals regarding the treatment of in-flight projects (ie that they should not be permitted to reset their connection agreement and retain their position in the queue), noting they retain the right to terminate and reapply from 1 April 2023 should they wish to be treated under the proposed connection charging boundary?*

Ofgem's proposal as described above suggests that if a customer wishes to reset a connection agreement, the customer will need to go to the back of the queue. We believe there is a need for the new connection charging boundary regime to recognise the wider benefits if a customer wishes to remain in the queue – this could be incentivised by an opportunity to reduce the TCR charges for that customer.

**2g.** *Do you agree with our proposals to retain the existing arrangements for managing interactive applications? Do you agree with our proposals on the treatment of unsuccessful applicants (that the connection charges at original application date will continue to apply if queue position is retained)?*

No comments.

**2h.** *Do you agree with continuing with the definition of the Minimum Scheme as currently set out in the CCCM? Do you believe this definition requires any further clarification or amendment, and if so, why?*

No comments.

**2i.** *Are there any risks associated with our proposals to allow current non-firm connected customers to seek a firm connection following the changes proposed by our SCR? Do you agree that existing non-firm connected customers that do seek a firm connection should be processed through existing queue management processes as determined by DNOs?*

No comments.

**2j.** *How necessary do you consider Ofgem intervention in Electricity Distribution Standard Licence Conditions 12, 15 and 15A? What duration might such measures be needed, or acceptable, following 1 April 2023? What value do you place on certainty of connection timeframes compared with time to connect?*

No comments.

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<sup>3</sup> <https://www.nationalgrideso.com/document/242211/download>

## Access rights

The minded-to positions proposed here are a positive step in improving access rights. We believe that non-firm access rights should be better defined, but this is unhelpful if generators cannot clearly forecast and understand levels of curtailment.

We believe it would be appropriate for Ofgem to commit to review the security of supply standards at distribution which will facilitate financially firm access as a result. There could be merit in further consideration of this option and the impacts on the level playing field between interconnected and GB generators.

**3a.** *Do you agree with our proposal to exclude customer interruptions and transmission constraints from the definition of curtailment with respect to distribution network access arrangements?*

**No comments.**

**3b.** *Do you agree that the curtailment limit should be offered by the network based on maximum network benefit and agreed with the connecting customer?*

Yes, we agree. Having an agreed curtailment limit is good for transparency, and requiring DNOs to procure additional flexibility from the flexibility market is also a welcome clarification. Further to an agreed-upon curtailment limit, more accurate recording of curtailment is important, helping to quantify the signal for future network planning.

Although measuring curtailment by % of time or number of hours may be simpler from a user experience perspective, we believe it is of limited use. The more granular the information provided to generators the better (i.e. number of hours per season is more useful than number of hours per year). Published DNO circuit ratings are seasonal, so there would be little additional complexity for a DNO to implement a seasonal approach; an indicative breakdown of the year-round contractual figure would provide significantly more value to customers.

Additionally, DNOs could give an indication of *when* in the day curtailment is likely. This is key for renewable generators such as solar PV, where curtailment at night is no problem, but curtailment in the middle of the day (when there is high solar output) has a serious impact.

An alternative suggestion is to define the curtailment limit by volume (i.e. MWh/kWh limit), or to use a metric based on load factor % or expected volume.

**3c.** *Do you have any views on the principles that should be applied to ensure curtailment limits are set in a consistent manner?*

**No comments.**

**3d.** *Do you agree with our proposal not to introduce a cap for flexibility payments made should any curtailment in excess of agreed limits be required?*

We have interpreted Ofgem's proposal to mean that in an event that a DNO exhausts the extent of the curtailment that they have agreed with a user, and the DNO needs to procure additional curtailment in order to satisfy their licence duties, there should not be any cap on the payments made that the DNO can make in order to secure the additional capability. We believe this is a sensible proposal which will ensure that the DNOs liability for costs associated with unforeseen curtailment should not be limited. Applying no cap in this manner will reveal the need for additional system spend (either infrastructure investment or DNO OPEX) and will

help to stimulate a growing flexibility market at low risk to the consumer to due to the early stage of those flexibility markets.

**3e.** *Do you agree with our proposal to introduce explicit end-dates for non-firm arrangements? Are there any mitigations for DUoS billpayers we should consider?*

The issue of end-dates is a dilemma, as it is not natural to link ongoing non-firm access to one-off connection charges. It would make much more sense for there to be a reduction in DUoS charges for as long as the non-firm arrangements are in place. This could be explored further as part of the DUoS SCR.

**3f.** *Do you have views on whether the end-dates should take into account only current known or likely works, or if it should allow time for wider developments to take place?*

No comments.

**3g.** *Do you have any comment on our proposal not to further define or standardise time-profiled access arrangements?*

No comments.

Yours Sincerely,

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