



ESP Electricity Ltd

Bluebird House

Mole Business Park

Leatherhead

Surrey

KT22 7BA

T: 01372 587500

F: 01372 377996

Patrick Cassels

Office of Gas and Electricity Markets

10 South Colonnade,

Canary Wharf,

London,

E14 4PU

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Via email: FutureChargingandAccess@ofgem.gov.uk

Dear Patrick,

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

ESP Electricity Ltd (“ESPE”) is a licensed Independent Distribution Network Operator (“IDNO”) in the GB market and is regulated by Ofgem in accordance with its duties. ESPE is part of the ESP Utilities Group, which also consists of independent gas distribution networks and a newly created New Appointments and Variations business in the water sector. ESPE serves both domestic and non-domestic consumers.

Given the above, the revised minded-to position will directly impact ESPE’s current business practices as ESPE is responsible for connecting new customers to its networks and for ensuring that the correct charges are levied to all its customers. We are grateful that Ofgem continues to recognise the importance of IDNOs in ensuring that the UK is able to reach its legally binding net zero target as we look to leverage our decreasingly carbon-intensive electricity system to serve a wider range of applications, including heat and transportation.

Specific responses to each question are annexed, but in broad terms we are supportive of the direction of travel and positions proposed. There is not yet sufficient clarity available to offer a final view on the appropriateness of the levels of the proposed High Cost Cap, but I am sure that we will continue to be involved in these discussions with the ability to provide input as required as the position develops. However, we remain concerned about the definition of ‘speculative’ connection applications as this has the potential to result in sub-optimal outcomes for connecting parties, which is explored in greater detail in our response to question 2c.

As ever, we remain at your disposal should you have any further questions as these reforms progress. If you wish to discuss any of the issues raised in our response or have any queries, please contact us at Regulation@espug.com or on 01372 587500.

Kind regards,

Vicki Spiers

Business Operations Director, ESP Electricity

Annex: Responses to Consultation Questions

1. Introduction

[No consultation questions]

2. Distribution connection charging boundary

Question 2a:

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

The introduction of a HCC for demand will enable DUoS customers to be protected against increases to their charges caused by a relatively small number of new connections which are costly to undertake. Therefore, we are supportive of this concept. We agree that it is also correct to retain the HCC for generation. We are concerned about the behaviours that the HCC may cause connecting parties to engage in, for example seeking ways to make their connection costs fall beneath the HCC to avoid needing to pay reinforcement costs directly, but are content for this to be continuously monitored by the DNOs and reviewed accordingly. For example, we would not wish for the IDNO market to be skewed by issues stemming from the avoidance/payment of network connection costs pertaining to the HCC boundary.

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

Yes, we agree.

- 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)?

This seems to be appropriate based on the available evidence.

- 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?

The principles set out seem reasonable, but we will need to review the underlying data regarding proposed levels of HCC for demand and generation to fully understand the desirability and proportionality of the levels under consideration.

Question 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)?

We support this proposal as it protects the network's existing customers from reinforcement that is not entirely necessary to connect a new customer. Where a new customer has an option between the Minimum and Enhanced schemes, the customer should not be incentivised to select the more attractive option for their connection at the expense of the wider customer base.

Question 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?

The definition of 'speculative connections' is a key issue for IDNOs given the type and scale of projects that IDNOs will typically become involved in developing. For example, a large, multi-phase new housing development is not something that an IDNO would classify as 'speculative' in nature, but may be classified as such under how connection types are currently considered. This is because for an IDNO, it is clear that the housing development will proceed broadly as planned in the majority of circumstances, and any required reinforcement will be needed to serve the anticipated demand. However, what may change over the course of the development is the precise timings for construction phases and energisation, and therefore maintaining a strong dialogue between IDNO, DNO and developer is important to ensure that any reinforcement works are undertaken in a timely manner that provides maximum value for money for all DUoS customers. A blanket classification as 'speculative' on such a development would be undesirable given the cost implications, and therefore may lead to negative outcomes in the development market for new housing.

- 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?

Yes, there is a clear dis-benefit to a connection being considered 'speculative' under the proposals. In some instances, it is right that a connection should be considered 'speculative' and bear the costs accordingly given a low degree of confidence that the demand capacity will be needed, ensuring that DUoS customers do not pay for non-essential reinforcement works. However, there should be a mechanism to better discern between what is truly 'speculative', or a clawback mechanism for monies paid for a 'speculative' connection when the demand capacity is utilised.

Question 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?

Yes, this provides appropriate protections.

Question 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?

Yes.

Question 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?

Yes, we agree in principle but note that customers should be able to make an informed decision on the trade-off between lower costs stemming from the new arrangements and a longer time to connect due to the potential influx of new connections. To this extent, we believe there needs to be a robust transition process to prevent unintended negative impacts on connecting customers that are seeking connections for their in-flight projects.

Question 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)?

Yes, our view on this is the same as question 2f.

Question 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?

Yes.

Question 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?

Yes, although non-firm connections should be made firm as soon as practicable.

Question 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?

3. Access rights

Question 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?

Yes.

Question 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.

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

The principles should be set in a manner which ensure that they are applied equally and consistently by all DNOs.

Question 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?

Yes.

Question 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?

Yes.

Question 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?

The end date can only logically be placed on known or likely works, and should be as soon as practicable.

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

Further information on this would be useful in order to understand whether and when these options can be presented to connecting customers.

5. General questions

Question 5a: Has the additional information in this consultation affected any of the views your previously submitted in response to our June 2021 consultation (if so, in what way)?

N/A

Question 5b: Do you have any other information relevant to the subject matter of this consultation that we should consider in developing our proposals?

N/A