WESTERN POWER DISTRIBUTION
Serving the Midlands, South West and Wales
a nationalgrid company

FutureChargingandAccess@ofgem.gov.uk

Avonbank
Feeder Road
Bristol
BS2 0TB

Email pbranston@westernpower.co.uk

Patrick Cassels
Head of Electricity Access
Ofgem
10 South Colonnade
Canary Wharf
London E14 4PU

Our ref *Your ref* *Date*
21 February 2022

Dear Patrick,

Response to Access SCR - Consultation on Updates to Minded to Positions and Response to June 2021 Consultation Feedback

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in relation to the above consultation issued on 24 January 2022.

Please see full response to the detailed questions raised appended to this letter.

Whilst WPD is broadly supportive of Ofgem's proposals, we wish to highlight our general concern that the timescales for implementing the changes by 1 April 2023 are very challenging, particularly due to the potential impact on associated legislation, licence drafting and industry codes and the need to make changes to our internal systems and train our staff. In addition, Ofgem also needs to consider how to mitigate the impact of the proposals on changes to the RIIO-ED2 Time to Connection Incentive and the delivery of standards of performance under SLC12/15/15A.

If you wish to discuss further please contact Kester Jones, Connections Strategy Manager at kjones1@westernpower.co.uk.

Yours sincerely

PAUL BRANSTON
Regulatory & Government Affairs Manager
Enc:

Appendix – Response to Consultation Questions

Response to "Access SCR - Consultation on Updates to Minded to Positions and Response to June 2021 Consultation Feedback"

Thank you for the opportunity to respond to this consultation.

This consultation response is made on behalf of: -
Western Power Distribution (South West) plc.
Western Power Distribution (South Wales) plc.
Western Power Distribution (East Midlands) plc.
Western Power Distribution (West Midlands) plc.

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?

Yes, WPD believe it is necessary to introduce a HCC for demand and retain a HCC for generation.

We believe that these should be sufficiently high so that the number of occasions they are triggered is minimal. We think that hitting a HCC should act as a warning to DNOs to check that all lower cost solutions such as flexible connection arrangements and procurement of demand side flexibility services have been considered.

We would, however, like to see a mechanism for DNOs to make informed decisions on the application of the cap where we believe there are wider benefits to the works being carried out, especially where the connection supports Net Zero. As an example, we would not wish to apply a HCC levy to an EV charging hub who trigger the cost only because of their requirements to install a facility in a rural location.

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

We do believe that the proposals represent proportionate protection for DUoS bill payers against excessively expensive connections where the benefits are disproportionately skewed towards the developer.

iii. What are your views on retaining the current 'voltage rule' to determine whether the HCC is breached (i.e. considering the cost of reinforcement at the voltage level at point of connection and the voltage level above)?

This approach seems sensible under the current DUoS methodology providing a suitable balance in protecting for DUoS customers whilst enabling Net Zero. However, unless the HCC is sufficiently high the voltage rule could be triggered too frequently (especially for HV connections).

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?

We agree that retaining different HCC levels for demand and generation is appropriate. For demand schemes, a higher value recognises the benefits brought by connections such as EV charging hubs and the electrification of heating in addition to the growth of housing and industrial developments.

For generation, it remains appropriate to retain a locational signal to encourage installers to target those areas which can better benefit from the exported capacity.

We support the view to periodically review the HCC as customer connections progress to ensure that the HCC remains at an appropriate threshold.

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 (i.e. lowest overall capital cost)?

Where electricity networks are already capable of providing three phase connections, the service or mains cable work to upgrade can be socialised within existing rules. It is prudent to do this.

Where a network is not capable of providing three phase and the nearest three phase connection point might be a considerable distance away, it is reasonable for reinforcement costs to fall to the requesting customer. In many cases for remote customers an augmented single phase connection may suffice. However, we also believe that we should have some discretion to consider future benefit to other customers in constructing 3 phase networks rather than rebuilding a single phase network.

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?

Whilst we agree with the proposals to maintain the treatment of speculative connections, we do believe there needs to be a review of what is considered to be speculative. At present, the definition includes those sites which are large in nature and to be built out in a number of phases, over a number of years.

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, the wider boundary proposals broaden the disparity between connections deemed to be speculative and those that are not. The treatment of speculative development as set out in the Common Connection Charging methodology seeks to protect DUoS customers from higher risk projects so it is right that there is this disparity. However, some revisions to the definitions of the speculative developments could be made where appropriate to address any particular areas of concern i.e. sites with planning consent could be exempt.

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 bill payers? Do you consider these proposals to interact in any way that could counter their effectiveness, and if so, how?

A carefully designed package factoring in our answers to the previous questions would offer protection for DUoS bill payers and does protect them from high costs which may be generated from complex schemes of work benefiting small numbers of customers. Within any package there are likely to be some groups who will benefit from changes, see our answer to question 2i.

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, for now. However, this should be kept under review to ensure that storage is deployed to all network areas whether generation or demand constrained.

Question 2f:
Do you agree with our proposals regarding the treatment of in-flight projects (i.e. 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, it is fairer and simpler for customers to terminate accepted offers and reapply.

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

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?

The current definition is still relevant and broad enough to encompass the inclusion of flexibility services and their associated costs as part of the minimum scheme.

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?

There is always a risk that a changed regime will offer benefit to certain customer groups. Customers connected to non-firm supplies may see advantages in making a new connection request but many non-firm customers are generation customers so the risk is lower. Existing customers should follow the queue management systems which remain in place.

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

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?

Ofgem could consider delaying the start date of the ED2 targets until 2024/25 to take account of a potential surge in applications and ensure that ED2 targets take into account any enduring increase in activity volumes.

We agree that Ofgem should provide a temporary derogation to DNOs from investigating and enforcing breaches of SLC12/15/15A during 2023/24 where there is a temporary surge in applications. This derogation should be upfront and for a minimum set period of 12 months (as opposed to a derogation applied after an investigation into a potential breach).

3. Access rights

Question 3a:
Do you agree with our proposal to exclude customer interruptions and network access arrangements?

Yes, all customers, regardless of connection firmness, are exposed to interruption risks with established standards of performance and DNO incentives already in place.

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, in principle. However realistic curtailment limits will be heavily dependent on the presence of existing non-firm arrangements in affected network areas: existing ANM connection agreements involve curtailment on a last-in-first-off (LIFO) basis. This means that any new customer connecting to an affected network will be required to be curtailed ahead of any existing customers.

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

A consistent approach to setting curtailment limits should involve consideration of numbers of future customers to be accommodated. A lower allowance for future connections will mean lower curtailment limits and accelerated network reinforcement and vice-versa. Curtailment setting principles should also include consideration of existing flexible connection and current/future potential for demand side flexibility services

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?

This would be in line with how networks with firm connections are treated where load growth occurs. Higher flexibility procurement costs will accelerate the requirement for "traditional" asset reinforcement. Having no cap is fine where there is a liquid DSF market but we need to be cautious of areas where this is not the case. It may be appropriate to consider a cost cap in these areas.

Question 3e:
Do you agree with our proposal to introduce explicit end-dates for non-firm arrangements? Are there any mitigations for DUoS bill payers we should consider?

Where non-firm arrangements are in place pending asset reinforcement works, explicit end dates present a risk where factors out of a DNO's direct control affect construction timescales e.g. section 37 / planning consents etc. If explicit end-dates mean DNOs are required to procure flexibility to overcome curtailment then such time delays would result in increased costs. Making non-firm agreement end-dates contingent on specified works being completed would avoid this risk.

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?

(See answer 3e above). End dates should take account of only current known or likely works to remove the constraint causing the non-firm agreement to be required

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

No, WPD already offer timed connections of our own.

4. Transmission Network Use of System Charges
[No consultation questions]

5. General questions

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

No

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

We have a general concern that the timescales for implementing the changes by 1st April 2023 are very challenging, particularly due to the potential impact on legislation/licence/codes and the need to update internal systems and train internal staff.