

Access and Forward-looking charges consultation January 2022

BSR Energy response to the consultation questions. BSRE response in blue.

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?

We agree with principle of the HCC for both generation and demand to avoid unnecessary cost impacts on the wider DUoS billpayers, However the HCC value for Generation should be the same as proposed HCC for Demand to assist with the roll-out of renewable energy

The current High Cost Cap is already preventing applications in several areas, as we are informed before application that the scheme would exceed the £200/kw threshold. In some cases we are informed after we've made an application but before they have progressed to a chargeable state, meaning we withdraw the application. These occurrences won't show up in official figures about the effect the HCC is currently having on the ability to construct new generation, but they are real. In addition, when we are given details like this on one location, we use that knowledge to avoid searching for new sites, and stop progressing existing ones in the area. It is therefore likely that the impact of the current HCC is larger than the DNOs estimate from their anecdotal evidence.

There is a need to prevent excessively expensive connections being charged to bill-payers, but with the regularity that the HCC is being encountered, retaining it will severely limit of the shallower charging boundary. Currently the most economical place to install a new large-scale solar park, based on grid costs alone, would be the centre of a large city, whereas the actual viable locations for solar and wind are in rural areas with a weaker grid.

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

We agree with principle of the HCC for both generation and demand to avoid unnecessary cost impacts on the wider DUoS billpayers, However the HCC value for Generation should be the same as proposed HCC for Demand to assist with the roll-out of renewable energy.

The proposed way to figure out a demand HCC threshold seems reasonable, but the generation cap should be reviewed. It will already be having a distortive effect on grid costs as at the pre-app stage sites are mostly screened out, and if not at that point then after an application is submitted an engineer will call or email to discuss the impact of reinforcement. Usually after this point the application is withdrawn due to high costs, without progressing to a formal offer. Indeed if we receive a grid offer with high reinforcement costs it is considered by us a failure of the developer/DNO interaction: there is no advantage to a developer paying an assessment and design (A&D) fee for an obviously unworkable offer, and there is no advantage for a DNO engineer to spend their time doing detailed costings for something that won't progress.

The only downside to this arrangement is that the final figures of applications will show that a low percentage are breaching the HCC limit.

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 agree in principle with the retaining the proposed Voltage rule however the HCC for generators is too low and is a blocker to the roll-out of renewable energy.

In our opinion retaining the rule is going to limit the impact that will be seen of the shallower charging boundary. In a large number of areas 33kV connections now require expensive and extensive 132kV reinforcement. ANM schemes have allowed the use of the network up to its absolute limit in many areas, requiring large numbers of DNO assets to be upgraded at once. The

shallower charging boundary would suggest a way past this deadlock, but if the HCC still takes into account the higher voltages then, as stated in other answers, the impact will be limited. Indeed it will in effect create a new “ceiling” of viability that is not far away from the current level: currently the ceiling for development is an acceptable ANM curtailment level, the new one will be the £200/kw reinforcement cost, and I would expect different areas of the grid to plateau at this level.

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 with the principles proposed but suggest that the Generation HCC should match the Demand HCC to facilitate the role out of renewable energy in the UK.

While it is clear that demand has restrictions on relocation, and is not easily mobile, the same is true for low carbon generation. A large-scale solar park requires large flat areas of land, near existing grid assets, in a sufficiently high irradiance area of the country, while taking into account a wealth of other planning restrictions. Wind is similarly limited, not only by planning and wind resource, but also by access limitations as large blades have to be transported to site. With this in mind the issues of location flexibility of both demand and generation should be examined closely to find an appropriate figure.

It should also be taken into account that natural increases in demand are already socialised, while the generation capacity of the grid always has to be paid for by new connections, which is an unfair disparity.

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?

We agree with the proposal to retain the current treatment of speculative connections with further clarification on the definition

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?

Agreed, and it is logical to specify this rather than changing their grid connection costs based on the type of reinforcement. Energy storage is one of the most flexible technologies in terms of location.

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?

Agreed, as accepted schemes should already have an investable business case to progress with. Therefore they are likely to be constructed regardless of the changing regulation.

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)?

We don't agree with this, while they have the advantage of queue position, they are at a disadvantage in that they lost on interactivity and are expected now to require reinforcement for their connection. The result of this decision would be that anyone who lost interactivity would

effectively be forced to reapply as they will be funding reinforcement under the old scheme otherwise.

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 minimum scheme for many proposed large-scale installations now involves running a dedicated 132kV feeder back to a GSP many kilometres away, although the site may have been selected due to an on-site 33kV OHL. This can be due to the 132kV infrastructure between the GSP and BSP being overloaded, and it is cheaper to run a dedicated feeder than upgrade the existing lines. Even under the new shallow charging regime, this will mean the 132kV lines are never upgraded, and the development won't go ahead.

There should be some preference given to expansion of existing networks rather than high costs for each single connection. The additional capacity unlocked by this is highly unlikely to be wasted due to the large demand for low carbon generation.

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?

Agreed, they should be treated as normal customers

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?

Disagree, the introduction of increased time frame will slow down the roll out of Renewables.

Further funds should be made available to the DNO to use more resource to solve the problem

The DNO's appear to have had resourcing issues and challenges in meeting their licence conditions before this point, whereby they manage to issue new offers, sometimes on "day 0" but in the process they are unable to progress recosts, variations, or any other delivery work for already accepted schemes. In one case it took several months and escalation to get an invoice, as the focus was on new quotes. The commonality of this problem across several DNOs suggests that they do not have the money or resources to cope with the workload.

If absolutely necessary a surge in applications could justify some kind of temporary grace period, but OFGEM needs to note the existing pressure the DNOs are under and have a more permanent resourcing solution.

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?

Constraints on the transmission network is curtailment, I would agree to this if it was maintenance issue. Closer interactions between DNOs and National Grid is required to understand these expected levels of curtailment, as for a customer the source of the curtailment is irrelevant, the asset is still not generating.

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?

Agreed if you are requesting a Firm offer

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

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?

Agreed, the back stop for the cost will be the cost of the reinforcement

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?

Agreed if a firm connection has been requested

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?

Known and likely events, certainty is valuable. Developers have to take the worst-case scenario and evaluate investment based on that.

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

Agreed, time-profiled connections could work for energy storage but on a site-by-site basis and to overcome the connection specific constraints

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)?

We are concerned that the NG reinforcement cost are still not being addressed in this consultation. The shallow and shallower connection charging offers some assistance with distribution connection cost, but the applicant is still subject to the full cost of reinforcement at National Grid level. This is a significant barrier to the roll-out of renewable energy.

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

NG reinforcement costs are still not being addressed in this consultation. The shallow and shallower connection charging offers some assistance with distribution connection cost, but the applicant is still subject to the full cost of reinforcement at National Grid level. This is a significant barrier to the roll-out of renewable energy.

In several areas the National Grid assets are becoming the constrained asset. This has partially been due to the success of ANM in avoiding reinforcement, although now in many areas new curtailment reports are showing 60-90%, which is economically unviable. The restrictions on both DNOS and NG in being allowed to reinforce ahead of need has caused enormous issues. ANM was introduced several years ago and since then there has been a countdown to the point where GSPs were needing to be upgraded. It was foreseen by most people in the industry that this was required, and the hope was that each new application would get through the Appendix G Project Progression system without triggering the reinforcement.

However, if this work had been started when ANM was introduced, it would now be within a standard development cycle of being complete. Instead, development in some areas of the country is at a standstill due to requiring a 6 year upgrade, and it appears this issue is going to be replicated across the country. This leaves two years for all renewable energy in those locations to be connected to try and meet 2030 targets,

This charging review is welcome but the cost allocation for National Grid assets getting upgraded also needs urgently looking at, as it currently falls to DNOs to charge this to new customers and the



liabilities involved in this could cause projects to be cancelled. If projects are cancelled, the status reverts to “no upgrade required” and no progress is made towards a lower-carbon future-proof grid.

