

FAO: Patrick Cassels,
Head of Electricity Network Access
OFGEM
10 South Colonnade
Canary Wharf
London
E14 4PU

By email: FutureChargingandAccess@ofgem.gov.uk

21st February 2022

Dear Mr Cassels,

Access and Forward-looking Charges Significant Code Review (SCR): Updates to minded-to positions on distribution connection charging, the definition and choice of access rights, and transmission charges for small distributed generators.

Introduction

ABP owns and operates 21 ports around the UK and Hams Hall Rail Freight Terminal, which together handle around a quarter of the nation's seaborne trade. We operate four ports on the Humber, Hull, Goole, Immingham and Grimsby, which together constitute the largest ports complex in UK and serve its busiest trading estuary. ABP's Port of Southampton is the UK's principal port for the automotive trade and cruise, and home to the nation's second largest container terminal. ABP also operates five ports in Wales which form the backbone of the South Wales industrial cluster and handle a broad range of cargoes in support of local and national industries and manufacturers.

By facilitating trade and connecting British businesses and manufacturers to international markets, our ports act as important drivers of economic growth in regions and coastal communities around the country. Together with our customers, our ports handle £150 billion of UK trade, including £40 billion of UK exports through the Port of Southampton. In fulfilling this vital role, the ports support 119,000 jobs and contribute £7.5 billion the UK economy. ABP's ports are also at the forefront of the renewable energy sector, supporting the growth of the offshore wind sector and driving decarbonisation in the supply chain through on-site renewable energy generation for ports operations and our customers.



The Consultation

In this response we address the broad issues relating to the SCR and highlight some areas of concern. We only answer the questions in the consultation where they are of particular interest.

TNUoS

We welcome Ofgem's decision to no longer direct changes to TNUoS charges under the Access and Forward-looking Charges SCR, including the application of charges to small distributed generators (SDGs). As stated in our previous consultation response, over recent years there has already been a considerable reduction in the embedded benefits available to Small Distributed Generation (SDG) in the form of Demand TNUoS and BSUoS changes. This reduction was implemented on the grounds that embedded generation made use of the transmission network, which is a position we do not agree with. Further additional costs through TNUoS would make it even harder for business to justify the development of small generation which tends to be renewable in nature and has less of a reliance on the transmission network but which does not have the economies of scale of, for example, offshore wind farms. It should be noted that industry is competing regionally (in Europe and globally) and impacting SDG and behind the meter generation will affect UK competitiveness and harm attempts to decarbonise industry.

DUoS SCR

We do not agree that taking forward DUoS under its own dedicated SCR, separate from the issues of access, is a sensible decision because the issues are too inter-related. We would note that the Transmission Charging Review (with its introduction of new fixed charges for capacity) was explicitly designed to charge for the security that the distribution and transmission networks bring to the end-user, even in circumstances where that security is not relied upon very often. It would be wrong to introduce non-firm arrangements which do not relate to Use of System (UoS) charges because curtailment, by definition, is removing the security that is explicitly (going to be) being paid for. The proposed linkage of access to connection charges means that customers who have already paid full cost for connection and who are facing extremely high fixed TCR charges will not have the opportunity to opt for non-firm access. Take for example an EHV site which has recently applied for an increase in capacity over the threshold into Band 4. There could be a double whammy of high connection charges this year and no mitigation of the high fixed TCR charges from 2023 onwards. We believe, therefore, that there should be an opportunity for customers to pay less in terms of UoS charges in exchange for reduced security. As an extension of this idea, it would be helpful for customers to be able to opt for non-firm access for any capacity which exceeds any of the capacity thresholds as outlined in the TCR charging regime because the thresholds are extremely binary.

Distribution connection charging boundary

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

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 an improvement to the current situation where storage has to pay for both import and export if it triggers reinforcement works on either side. The updated connection queue principles allow for storage to be treated as an alternative to network reinforcement and storage can align with a DNO's operational criteria in order to avoid triggering network reinforcement.

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?*

We do not agree with this. It is important that connectees have the opportunity to adjust their capacity in response to high fixed TCR charges and/or for an agreed reduction in firmness without having to go to the back of the queue. The proposals would be sub-optimal as they would disincentivise commercial flexibility.

Access rights

Notwithstanding our comments above the minded-to positions proposed here are a positive step in improving access rights. We agree with Ofgem that non-firm access rights need to be better defined.

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, we do not agree. As stated above, Ofgem have introduced a regime whereby security provided by the distribution and transmission networks are being paid for through the TCR fixed charges.

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. Clearly any limit should be agreed with the customer.

3e. *Do you agree with our proposal to introduce explicit end-dates for non-firm arrangements?*

The reason the issue of end-dates is a dilemma is because 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 ongoing UoS charges for as long as the non-firm arrangements are in place.

If you have any questions regarding this response please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich
Energy Regulatory Manager