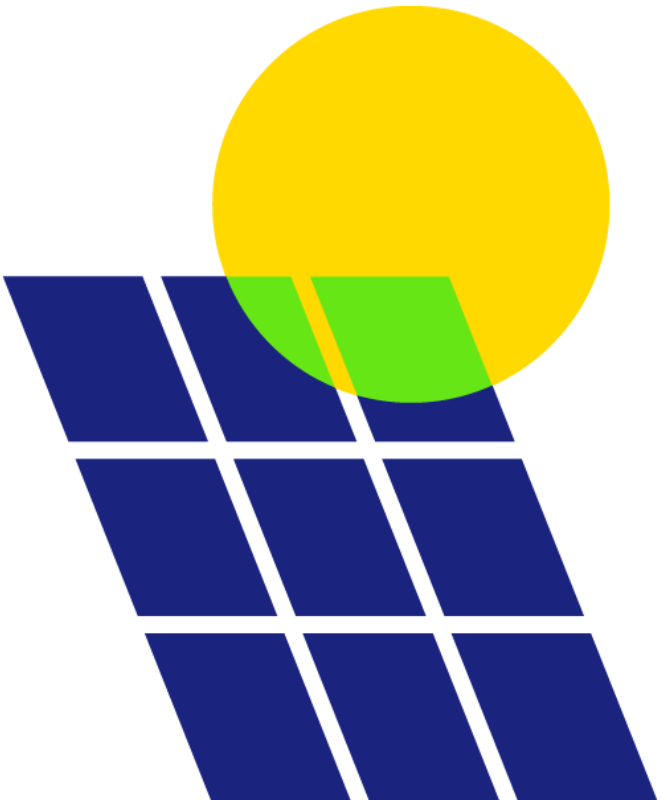
Access SCR – Updates to Minded To Consultation

Solar Energy UK Response



About us

Since 1978, Solar Energy UK has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users. A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large scale developers, investors, and law firms.

Our mission is to empower the UK solar transformation. We are catalysing our members to pave the way for 40GW of solar energy capacity by 2030. We represent solar heat, solar power and energy storage, with a proven track record of securing breakthroughs for all three.

Respondent details

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Would you like this response to remain confidential? No

Introduction

We welcome the opportunity to respond to this consultation. The outcome of the Access SCR will have significant implications for distributed generation, and as such we have provided recommendations and evidence below as to how the proposed minded to decisions will impact distributed solar generators across the UK.

Response & Recommendations

1. Grid & Connection Challenges

Ofgem's minded to positions will introduce some welcome changes to connection charging, which we have highlighted in our responses below. However, it is important to consider these reforms in the context of the wider challenges that developers are facing across the distribution network. There are many areas where we feel **significant reforms are still required to develop a more appropriate and proportional charging arrangement to accelerate infrastructure roll out over the short term.**

The reforms proposed in this SCR are not going to address the major reinforcement and curtailment issues our industry is already facing at dozens of GSPs across every DNO license region. This SCR will also do nothing to address prohibitive transmission costs which are resulting in major delays to hundreds of projects, not just solar but every type of onshore generation technology. These costs and delays are a material

risk to delivering net zero by 2050, let alone delivering a net zero ready grid in just over a decade. Many of our members have said this is the number 1 issue they face.

Ofgem needs to understand the scale of the problem. We have surveyed our members and we are aware of at least **3.5GW of solar generation across all DNO license regions, equating to at least £1.37 billion in capital investment, that is currently being blocked** due to massive delays which are now being imposed on existing connection offers which had already been accepted. Many of these offers were accepted in 2020 and 2021, and the delays are just now coming to light.

The majority of these sites are being told that they will now not be able to connect until 2028 or later. Land agreements typically allow for projects to be built and connected within 4 or 5 years and planning permissions allow for planning to be implemented within 3 years. Clearly 2028 is well outside of both timeframes so there will be many projects that are unable to proceed. Most developers will also be unable to sustain the costs of projects over this timeframe, which could result in many GW of renewable generation being abandoned.

Clearly there is no way that net zero can be achieved if the solar industry can't connect most of its projects until 2028 and beyond. To achieve net zero by 2050, the Sixth Carbon Budget says we will need as much as 90GW of solar generation by that date.[1] Our analysis shows that over the period to 2030 this means deploying at least 2.6GW of solar every year, less than the amount currently being blocked.[2]

The excessive delays we are seeing now are only expected to get worse in the short term and are a major barrier to the development of the solar and storage industries in this country. Whilst this is primarily about utility scale solar projects at the moment, it is affecting all sizes of projects and will increasingly do so. We are already hearing of many commercial rooftop projects impacted by these delays and even small residential schemes are being told there is no headroom available.

DNOs are woefully under resourced to manage the amount of distributed generation projects coming forwards, however all will be needed to enable the decarbonisation of transport, heating, and electricity. We are also very concerned that Statement of Works (SOW) applications by DNOs are being held up because of delays in National Grid formally recognising SOWs as 'technically compliant'.

The current process is opaque, time consuming, prohibitively expensive, and putting our national decarbonisation commitments at risk. Ofgem must respond with appropriately ambitious reforms to accelerate infrastructure development in the short term.

2. Connection Charging Boundary

[1] https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf
[2] https://solarenergyuk.org/resource/lighting-the-way-making-net-zero-a-reality-with-solar-energy/

We welcome the move to a shallower connection charging boundary for generation. However, **we continue to urge Ofgem to go further and move to a fully shallow connection charging boundary for generation as well as demand**. This would enable faster decarbonisation of the network and create parity between transmission and distribution charging arrangements, thereby reducing distortions created by differing charging regimes. Charging demand and generation sites on the same basis would also simplify and expedite the process for connecting co-located sites, which we are starting to see much more of.

Storage should not be treated the same as generation for the purposes of connection charging. Treating storage in line with generation for the purposes of connection charging does not simplify charging arrangements for these sites or better align with the broader regulatory and legislative framework, but instead fundamentally misunderstands the operations and system benefits of flexibility.

Storage is not established to import during peak demand and should therefore not be considered as triggering demand reinforcement or pay for this. Additionally, storage has synergies with existing generation technologies. Storage is a unique asset class with unique behaviour and cannot be compared to conventional generation such as solar**. There is a need to introduce a dedicated storage licence within the broader regulatory framework.**

The solar and storage industries can and should be supporting some of the costs of network expansion, but these costs must be fair and certain for developers. Based on evidence provided by Solar Energy UK members, we estimate that on average 100-300MW of potential solar generation capacity is being lost each year due to the current connection charging regime.

We disagree with the assessment that generation is less locationally constrained than demand. Solar PV is already highly constrained in terms of where it can locate, a key reason cited for removing reinforcement costs from demand sites. Locational constraints are only increasing due to several factors, principally the lack of grid availability and supporting distribution infrastructure as discussed above.

We are concerned that retaining the High Cost Cap for generation under the current methodology could further hamper investments in the network. This could still result in the party that triggers reinforcement being saddled with significant payments. Furthermore, the HCC as it is proposed is not indexed linked, meanwhile related costs across materials and labour will increase. This means the HCC is reducing year on year in real terms, without appropriate review.

Further reform is needed to socialise all reinforcement costs. When a project triggers the HCC that should immediately lead to a wider review of network investment in the area by the DNO and local partners. However, this remains a reactive solution, and a more proactive approach is needed to accelerate infrastructure investment.

3. Access Rights

We do not agree with Ofgem's proposal to exclude customer interruptions and transmission constraints from the definition of curtailment with respect to distribution network access arrangements. As noted above, transmission related constraints are causing major disruption to connected projects and resulting in years of delays for hundreds of projects waiting in the connection queue.

We would urge Ofgem to revisit the proposal to further define and standardise time-profiled access arrangements. Our members have expressed that a more flexible or time-profiled connection could be an attractive option for future development of utility-scale PV. For example, many solar projects could potentially tolerate substantial curtailment during non-daylight hours, provided that this arrangement was indeed coupled with sufficiently lower charges for the constrained access rights provided.

Priority access for solar during daylight hours is also important to consider for co-located sites, and how this would interplay with storage assets in particular. In any new time-profiled access options it is essential to understand how this is structured with other generating technologies.

In this context, we would also reiterate our members' serious concerns that existing ANM indicators are flawed, in that they assume worst case demand versus maximum supply. This has significant commercial implications. For example, the alternative short-term ANM offers being made as a result of the major connection delays we are seeing are not usually financially viable for developers. The methodology for determining curtailment must be improved if it is to be the basis for determining time-profiled or non-firm access rights and to allow more generation onto the system in a timely manner. We would also welcome the introduction of curtailment limits that could be agreed with network operators and connecting customers.

4. Protecting DUoS Bill Payers

New generation triggering reinforcement ahead of 2023 is potentially being unfairly charged twice. Double paying for historic second comer reinforcement under existing arrangements and paying additional DUOS under the new regime which has not yet been outlined.

Without knowing how DUOS charging will be treated going forward there is uncertainty for these investments as to what is being signed up to. **We recommend grandfathering projects to avoid this double charge,** either insulating them from future DUOS changes or removing the second comer charges.

5. TNUoS Charging & Transmission

We welcomed the announcement that Ofgem will not be imposing TNUoS charges on distributed generation as part of this SCR. However, work at transmission level and the impact on distribution needs to be better accounted for across the charging regime.

Failure to act on this will lead to further connection disruptions across the distribution network and become a greater hurdle for renewable deployment. Ofgem needs to

solve this issue and either socialise the costs of transmission work through the wider TNUoS recovery base or find a solution that fairly apportions costs at the distribution level.