



Mr Patrick Cassels,
Head of Electricity Network Access, Access and Charging SCR,
Ofgem

21st of February 2022

BHA response to the Ofgem consultation: Access and Forward-Looking Charges SCR: Consultation on Updates to Mindset to Positions.

Dear Mr Cassels,

Many thanks for the opportunity to respond to this consultation.

The British Hydropower Association is the only trade membership association solely representing the interests of the UK hydropower industry, from micro to large scale, including tidal range energy, and associated stakeholders in the wider community, both in the UK and overseas.

This document is non-confidential and can be published on the Ofgem website.

In summary:

1. Distribution Connection Charging Boundary:

We welcome your proposals to retain the High-Cost Cap for generation connections and to calculate the caps using the voltage at the point of connection, plus the one above. However, we think that geography should also be considered, especially for 33kv connections in the north of Scotland.

We note that you are not considering rebates for users who have paid reinforcement costs prior to the proposed connection charging changes. However, depending on the outcome of the dedicated DUoS SCR, we strongly believe that the changes should be introduced in a way that protects the right existing generators who have made a reinforcement contribution who could otherwise lose out via higher DUoS charges. Transitional arrangements could include grandfathering. There should also be transitional arrangements for "Second Comer Charges".

2 Distribution Network Access Rights:

Although you have stated that constraints on the transmission network are not considered curtailment for the purpose of better definition of distribution network access rights, T constraints are considered when deciding the viability of a generation project.

Realistic curtailment limits should be agreed with the customer and produced in a timely fashion so not to delay Offer acceptance. Care must be taken that DNOs do not overestimate curtailment assessments in order to avoid penalties. This could have a negative effect on future generator developments.

We agree on the introduction of explicit end dates for non-firm arrangements. However, we Flexible Connections are only a short-term solution and major investment is needed throughout GB in the T and D networks in order to meet statutory Net Zero targets.

3 Transmission Network Charging, TNUoS, (including charges for small, distributed generators):

Although you are not presently consulting on any additional policy proposals, we would like to repeat that we strongly disagree with these changes, including introducing TNUoS charges for Small Distributed Generators >1MW.

Many hydro projects have taken long term investment decisions based on a stable charging framework. Any significant changes during the operational phase could impact on investor confidence and may increase the overall cost of reaching Net Zero. We believe there is a strong case for grandfathering sites that will be adversely affected by regulatory charges.

4 Future Wide-Ranging Reviews:

We welcome your decision that further work is required on TNUoS charges before you can reach a final decision and look forward to you publishing your next steps.

We also welcome your decision to descope DUoS charges from the Access SCR and look forward to your DUoS SCR consultation.

These are 2 very important areas for our members. Our concern is that these reviews will take a long time (the Access SCR started in 2018) which will make it difficult for developers to assess the full commercial impact of the changes, delay any investment decisions and therefore have an impact on Net Zero targets.

It is important that project development and investment continues through these review periods and investor confidence is maintained.

We believe Ofgem needs to play a greater role in delivering Net Zero by ensuring the impact of its charging reforms are aligned and supportive of Net Zero. We realise that you have a commitment to protect consumers' interests but incentivising generators to connect in areas of high demand in southern England and discouraging development in areas of natural resources, such as the north of Scotland, by imposing penalties, is economically inefficient.

We have outlined answers to the questions in your consultation below:

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?**

We believe that the HCC should be retained for generation and increased for 33kv connections in the north of Scotland. These generators are in remote areas and usually require expensive upgrades to the existing overhead lines. Increasing the HCC would encourage more hydro development which would help to meet mandatory Net Zero targets. An HCC for demand, should only include reinforcement for low carbon devices such as EVs and heat pumps.

- 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 believe that this will protect DUoS billpayers. A decision not to pay to invest in Net Zero infrastructure in the short term does not necessarily make it less expensive for consumers over the long-term.

- 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)?**

We believe that the current voltage rule should be used, bearing in mind the lower voltage boundary between transmission and distribution in Scotland where 132kv is classed as transmission.

- 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?**

No comment.

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)?

No comment.

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?**

No comment.

- 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?**

Most hydropower developers ask for pre-application meetings or budget estimates before going ahead with formal applications.

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?

No comment.

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?

We agree that storage should be treated in line with generation. However, some generation sites also include battery storage where there can be different export and import connection constraints and may require additional reinforcement for firm connections. How does connection charging take this into account?

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?

We agree with your proposals. But this may have a negative effect in delaying future developments.

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 agree with these proposals.

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?

We agree with this proposal.

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?

We agree with this proposal.

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?

We agree that there might be an increase in applications after April 2023. However, there may be other factors which determine the timing for applications such as business rates. Any relaxation of the DNOs licence conditions should only be temporary. At the moment, DNOs tend to use the maximum time limit as a target and very rarely quote earlier than this. It is only a desk top quote, and they very rarely visit site so any re-cost after acceptance and a site visit can take another 65 working days for 33kv connections. Some connections require T reinforcement with long lead times which also has to be considered when calculating connection dates.

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?

We agree to the proposal to exclude customer interruptions from the definition of curtailment. However, it should be noted that there can be D curtailment (e.g., DANM) as well as T curtailment (TANM) and both these factors are considered by developers in deciding if a project is viable.

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?

We agree it should be agreed with the customer. Some DNOs face delays in producing their curtailment reports which developers require before deciding to accept an Offer. This can leave little time to accept an Offer before the acceptance deadline. There should be a time limit on producing curtailment reports.

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 same principles should apply to both D and T constraints.

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. This should incentivise DNOs to produce accurate data. However, there is a risk that DNOs may introduce a "factor of safety" and inflate the curtailment limits which may prevent developers from accepting Offers.

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?

We agree to this proposal. Curtailment is only going to increase as more generators are connected. It should be noted that Flexible Connections are only a short-term solution and major investment is needed throughout GB in the D and T networks in order to meet statutory Net Zero targets.

Question 3f: Do you have views on whether the end-dates should consider only current known or likely works, or if it should allow time for wider developments to take place?

We believe that you should be looking at both D and T networks. Most D connections now influence the T network, so the wider works should include both D and T. Improvements can be made communicating these works between the developer, DNO and NGESO to obtain accurate end dates.

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

No comment.

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)?

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?

Not at this moment.

I trust that this response is clear, but I would be happy to discuss any points in more detail if that would be helpful.

Yours sincerely

Simon Hamlyn

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Cc Dick Allen GHR