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Patrick Cassels
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Ofgem
10 South Colonnade
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London
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By email: FutureChargingandAccess@ofgem.gov.uk

18/02/2022

Dear Patrick,

Re: RES response to Access and Forward Looking Charges SCR Minded to Update

Introduction to RES

RES is the world's largest independent renewable energy company with operations across Europe, the Americas and Asia-Pacific. A British company, at the forefront of renewable energy development for 40 years, RES is responsible for more than 22GW of renewable energy capacity and energy storage projects worldwide. RES is active in a range of renewable energy technologies including onshore wind, offshore, solar and energy storage.

In the UK, RES has developed and/or constructed 1GW of operating wind generation capacity. We provide support services (AM and O&M) to a global operational asset portfolio exceeding 7.5 GW worldwide for a large client base. We play a critical role in ensuring the provision of electricity with our teams on the ground and in our 24/7/365 control centre responsible for keeping 10% (3GW) of the UK's operating renewable capacity running.

Executive Summary

RES has been a regular contributor throughout both the Targeted Charging Review Significant Code Review (SCR) and the Access and Forward-Looking Charges SCR and we are committed to sustaining that engagement in a manner that best facilitates a fully decarbonised power system by 2035 and the net zero whole energy system by 2050.

Broadly speaking, we welcome the recommendations made in the Access and Forward looking Charges Significant Code Review: Consultation on Updates to Minded to Positions and Response to June 2021 Consultation Feedback document (24 January 2022) ("The Access Update Consultation") although we reserve judgement in a number of areas pending establishment of further detail around the proposals. In particular, we welcome Ofgem's proposal to delay the application of TNUoS charges to SDG until such time as broader consideration of TNUoS charging arrangements has been considered. We also support the general direction

of travel of the distribution connection charging boundary and the clarification / standardisation of non-firm distribution access arrangements. The measures on non-firm distribution access are particularly urgent because current DNO practices, particularly around availability of data and forecasts of likely constraint associated with non-firm connections, are starting to become a barrier to connection of new flexibility and of renewable generation assets.

Responses to the individual questions posed in the Access Update Consultation are set out below.

We are keen to engage further on the Access and Forward Looking Charges SCR and more broadly in relation to the UK's transition to net zero. We would be happy to answer any further questions on our evidence or provide additional information if required.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P. Smart', enclosed within a thin black rectangular border.

Patrick Smart
Energy Networks Director

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Consultation questions on distribution connection charging boundary proposals

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?*

In light of current state of DUoS charging, we think that a HCC does represent a suitable charging signal for new generation and demand connectees. However it may be appropriate to review this again in light of any future changes to DUoS charges and also in light of HCC becoming a barrier to the connection of essential new net zero enabling assets. Any HCC value should be indexed in line with wider RIIIO electricity network regulation.

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

As noted above, in light of the current DUoS EDCM, we agree that this represents a reasonable balance between charging signal to new connectees and protection for DUoS bill payers.

We note the comment in para 2.87 that “While DNOs advise that this is rarely triggered, we are informed that its existence serves as a useful tool in early discussions with potential connectees in keeping connection costs within the bounds of a set cost per kW.” Whilst we understand that that the HCC may only be triggered occasionally, its effect, when triggered, can represent an insurmountable obstacle for new generators seeking to connect in an area that requires significant strategic reinforcement. This is particularly the case in England and Wales where costs of reinforcing at the voltage above connection voltage can easily accumulate to a level that exceeds the HCC and no single project can withstand the associated additional cost. Whilst we do not oppose Ofgem’s proposal at this stage we suggest that the impact of the HCC be monitored and periodically reviewed to ensure that it doesn’t become a barrier to investment in essential new net zero enabling assets.

- 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)?*

See response to question ii) above.

- 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 at this stage.

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 (ie lowest overall capital cost)?

No comment at this stage,

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 at this stage.

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 at this stage.

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?

At this stage, we agree that treating storage in line with generation for the purposes of connection charging aligns with wider regulatory treatment of storage, but we would propose that this be kept under review pending the outcome of a review of access and use of system charging as it applies to storage in light of its typical network supporting operating behaviour.

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?

No comment at this stage.

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)?

No comment at this stage.

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?

No comment at this stage.

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?

No comment at this stage.

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?

RES is not convinced that there will be a 'surge' of applications from pre-existing developments following the change to distribution connection charging boundary. It is our view that this change will not trigger new connection agreements for pre-existing development sites because it is likely that these developments would not previously progressed due to the application of "apportioned" distribution reinforcement costs without tripping the HCC. While it is possible, knowledge of our portfolio indicates that it is unlikely to be common.

With this in mind, we believe that interventions under SLC 12, 15 and 15a will not be necessary and, to the extent that they are, then the needs case should be clearly evidenced and also tightly time limited via the existing derogations process. The UK has a target to fully decarbonise our power system by 2035 and making unnecessary changes to licence conditions at this stage will delay the connection process.

Consultation questions on access rights proposals

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?

At this stage, we are content to support Ofgem's proposal to exclude customer interruptions and transmission constraints from the definition of distribution curtailment, however we would request that this position be closely monitored / publicly reported to ensure that customer interruptions and transmission constraints do not start to contribute materially to distribution connected generator curtailment. There are sections of the distribution network in the South East of England that are now effectively closed to new generator connections until the end of the decade due to the effect of transmission constraints. This needs to be urgently reviewed if it is not to block our progress towards clean electricity by 2035.

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 that access products need to include an agreed curtailment limit to ensure both "bankability" of new connection and also an effective investment signal for DNOs when those curtailment limits have been exhausted.

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

We welcome the intention to establish consistency in approach to the definition of curtailment and that this should be based on network benefit. For this reason, we suggest that the definition of curtailment should align with a typical approach to DNO / DSO operation for example it should take into account seasons aligned with system operation and asset ratings. We would also strongly encourage the DNOs to review their current approach to forecasting of curtailment for new generator and, in particular, storage connections. Current practice is for DNOs to assume "worst case" network conditions at all times and then provide an estimated forecast of curtailment on that basis. This is so conservative as to be completely unrealistic, particularly in the case of storage which is likely to operate in a manner that supports management of network constraint rather than exacerbate them. This current practice is hindering investment in essential new net zero assets and we would ask DNOs to review it at their earliest opportunity.

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?

We agree with this proposal and agree with the justification that flexibility markets are still developing and that the degree of risk to the customer associated with uncapped cost of procuring additional flexibility is not material.

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 that explicit end dates to be agreed with network users will be required in order to maintain bankability of new connections and to preserve a signal to invest. At this stage, we wouldn't propose specific

mitigation measures for DUoS payers but we fully accept that “non-firm” connection terms including non-firm end dates must be linked to overall system benefit. We support Ofgem’s proposal.

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?

We support the establishment of a standardised approach to agreeing non-firm access end dates and look forward to contributing further on this debate in the future. At this stage, we would note that linking non-firm access end dates to “*other developments to take place, which may or may not materialise in practice*” would significantly undermine the bankability of non-firm connections so our preference would be support for only taking into account wider known/likely developments.

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

We note paragraph 3.46 which states “*We propose that where there is a clear network need, network operators should consider and discuss time-profiled access options with customers when making connection offers. Time profiled arrangements should also be implemented in a transparent manner and reflected consistently in connection agreements with defined triggers for review.*” We agree and also agree that it is too early to define or standardise time-profiled access arrangements but this may need to be revisited depending on the rate of progress made by the DNOs in this area in the future.

5. 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?

No.