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21 February 2022

Dear Patrick

Access and Forward-looking Charges Significant Code Review: Consultation on Updates to Minded to Positions and Response to June 2021 Consultation Feedback

We welcome the opportunity to comment on Ofgem's minded-to positions in its Access and Forward-looking Charges Significant Code Review. This response reflects the views of our Renewables and Retail businesses. Our answers to the consultation questions are in Annex 1 attached. In summary:

- We agree overall with Ofgem's approach to distribution connection charging.
- We do not agree with the proposed treatment of storage as generation. In a generation dominated zone, storage can provide network benefits when acting as demand which will not be recognised if it is charged as generation for connection purposes.
- We agree with the proposals to better define non-firm access arrangements to the distribution network.
- Although we support not including Transmission Network Use of System (TNUoS) charging in this consultation, we urge Ofgem to commit to a wider review of TNUoS.

Please do not hesitate to get in touch if you have any questions about this response.

Yours sincerely,



Richard Sweet
Head of Regulatory Policy

**ACCESS AND FORWARD-LOOKING CHARGES SIGNIFICANT CODE REVIEW:
CONSULTATION ON UPDATES TO MINDED TO POSITIONS RESPONSE TO JUNE 2021
CONSULTATION FEEDBACK – SCOTTISHPOWER RESPONSE**

Chapter 2 - 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 agree that there is probably merit in retaining the HCC given its role in protecting consumers from high-cost projects. This will be particularly relevant if, as Ofgem suggests, areas that require more reinforcement may also be less densely populated. We do not have a strong view on whether the HCC should also apply at voltage level above. This will depend in part on the extent to which relevant locational price signals can be sent via DUoS. Ofgem should be open to reconsider this if the HCC has a negative impact.

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

Yes.

- 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 do not have a strong view on whether the HCC should also apply at voltage level above. Ofgem must consider fairness relating to who pays these charges.

- 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?**

The principles appear to be reasonable.

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)?

We do not have a strong view but Ofgem must consider fairness relating to who pays these charges relative to who benefits.

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?**

Yes, we agree with the proposals to maintain the current treatment of speculative connections. We do not believe further clarification on the definition of speculative connections is necessary.

- 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?**

We do not currently have a view on this.

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?

We are comfortable with these proposals.

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 believe the treatment of storage, as a subset of generation, will be a barrier to the development of storage solutions. Whilst storage could be considered to be similar to generation in terms of its behaviour and impact, storage can offer whole system flexibility and reduce the need for reinforcement. In a generation dominated zone, storage can provide network benefits when acting as demand which will not be recognised if it is charged as generation for connection purposes. We welcome the updated Queue Management Guidance developed under the ENA Open Networks Project which allows DNOs to positively promote storage in a connection queue where network benefit has been identified. However, we believe to fully explore the benefits of storage and avoid long term negative impact, Ofgem must give further consideration to the applicable charging principles.

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?

Yes, we agree with the proposals regarding the treatment of in-flight projects.

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 the proposals to retain the current arrangements for managing interactive applications. In principle, we also agree with the proposals for the treatment of unsuccessful applicants, however this is on the assumption that the DNOs notify the impacted parties of the

result in a timely manner once the outcome of the interactive process is known. In circumstances where the DNO fails to engage with unsuccessful applicants in a timely manner resulting in a delay in the applicants ability to reapply within reasonable timescales, we believe applicants should be able to retain their queue position whilst their reapplication is considered under the post 1 April 2023 arrangements.

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?

Yes, we agree the definition of Minimum Scheme as currently set out in the CCCM should continue to apply.

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?

Existing non-firm connected customers already have the ability to seek to amend their connection to firm as noted in the consultation. We do not foresee any additional risks other than those identified. We 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.

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?

If there is a significant surge in applications following 1 April 2023, we would expect DNOs to raise concerns with respect to their ability to meet their licence obligations 12, 15 and 15A. However, we agree that any delays in meeting offer timescales will have consequences for connecting parties such as additional costs, risk of delay and increased exposure to transmission impact as a result of the delay to any required transmission assessment required. We agree that, where possible, licence timescales should be maintained and any deviations from these timescales should be time bound and granted only where defined criteria are met.

Chapter 3 Access rights Question

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?

Yes, we agree with the proposal to exclude customer interruptions and transmission constraints from the definition of curtailment with respect to distribution network access arrangements. Whilst limited in what level of compensation is offered in respect to customer interruptions, the CCCM already provides for this. Arrangements already exist for customers should they wish to be compensated as a result of transmission constraints by electing to enter into a BEGA with NGESO.

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 in principle with the introduction of better defined non-firm access choices where there is the potential for better more efficient use of grid assets.

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 have no comments at this stage.

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 do not agree with the proposal not to introduce a cap on flexibility payments where the agreed curtailment threshold is breached by the DNO. Such arrangements require DNOs to be suitably incentivised to deliver access in line with the agreed limits with the appropriate regulatory framework in place to support such arrangements.

Question 3e: Do you agree with our proposal to introduce explicit end-dates for non-firm arrangements? Are there any mitigations for DUoS bill payers we should consider?

We agree with the proposal to introduce explicit end dates and would recommend that this is used as an opportunity to improve the capacity process as set out in DCUSA. The current process states that DNOs should email suppliers once a capacity change is agreed. However, mandating end dates will increase the number of changes, which we believe increases the need to improve the process. We would recommend that the process is amended to a new flow process, allowing DNOs and suppliers to have more automation and a recognised audit trail.

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 have no comments at this stage.

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

We previously noted that time-profiled access appears to be a good option for solar generation which, for example, would not require network access at night. However, for plant whose output is not predictable over a longer term such as wind, time-profiled access would not be an option. An option for wind may be to consider a capacity factor-based charge based on an average over a longer time period.

Chapter 4 Transmission Network Use of System Charges

Whilst there are no specific questions in relation to TNUoS as part of this consultation, we would restate our view that we believe there is an urgent need for a wider review of TNUoS charges.

Chapter 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.

ScottishPower
February 2022