



Zenobe Response to Access and Forward-Looking Charges SCR
Consultation on Updates to Minded-To Positions

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?

In principle, we disagree with the proposals to introduce a demand HCC and retain the generation HCC. We think that this would disincentivise DNOs from investing ahead of need and considering alternative means of reinforcement. As such it is likely to disincentivise strategic investment in the network from DNOs.

However, if we must have an HCC, we do accept that the proposal to introduce an HCC set to capture the highest cost projects only is broadly reasonable.

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 the HCC, when triggered, is a sign of a lack of strategic planning from DNOs. Reinforcement costs needed to upgrade networks to drive progress to net zero are not ‘excessively’ expensive. However, we accept that these proposals have been designed to provide protection for DUoS billpayers against the most expensive reinforcement costs. While we agree that certain projects should be prevented from causing high costs to all DUoS payers, we also think that the HCC may have the adverse effect of enabling DNOs to defer strategic investment, creating barriers for new projects. We therefore think the process should include collection of information on where the HCC blocks investment. If the HCC is found to be blocking investment, this should trigger a review of network investment in the relevant area.

ii. 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 think the HCC, if implemented, should apply only to the same voltage level at which customers are already connected, and not to the one above. As discussed, we believe that the HCC, when triggered, is a sign of a lack of strategic planning from DNOs. If a local network is at 11kv and a new connection tips it up to 33kv, this is a sign that the DNO was not preparing properly to enable new connections. This should include large-scale connections, as well as smaller-scale connections. The HCC disincentivises investment in new large-scale projects in constrained areas, resulting in a lack of network upgrades and so hindering progress to net zero.

iii. 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?

While we oppose setting an HCC, we accept that the principles are reasonable and have been designed so that only a small number of high-cost projects would trigger the HCC. We find the 95th percentile of connection offers on a £/kVA basis to be a reasonable threshold.

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 accept that the proposals maintain the requirement for three-phase connection requests to pay the full costs of reinforcement are reasonable.

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?

We agree that with the proposals to maintain the current treatment of speculative connections.

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 agree that if current treatment of speculative connections is maintained, the proposed reforms will broaden the disparity between speculative and non-speculative connections.



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 think that the key aim in reforming DUoS charges should be to incentivise DNOs to invest in network reinforcement ahead of anticipated need, laying the groundwork for net zero. In the long term this would improve security of supply, reduce costs for consumers, and accelerate decarbonisation. In light of this, we think that the proposed reforms improve on current arrangements. However, we emphasise that we think retaining an HCC will sustain existing disincentives for DNOs to invest in networks strategically.

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 assessing import and export connection charges separately for storage could lead to wildly divergent reinforcement charges for storage, depending on the characteristics of a given local network. We also agree that in this case, treating storage as both generation and demand could lead to perverse incentives for storage to connect in demand-constrained areas. As we have argued in other consultation responses, network charges should incentivise storage to connect in generation-constrained areas, where it can provide significant system value by importing excess electricity and alleviating constraints.

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?

We agree that the minded-to proposals should not affect connection applications made, in process or completed prior to the implementation date. We agree that applicants should retain the right to cancel their applications and reapply.



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 that regardless of the reallocated reinforcement costs, the process for managing interactive applications should remain broadly in place. We agree, in line with the proposals discussed in question 2f, that connection charges at the original application date should continue to apply if the applicant chooses to retain their original queue position.

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 that the Minimum Scheme as currently defined should continue to apply. We agree this will lower reinforcement costs for DUoS billpayers while enabling low-cost connection for demand customers.

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 do not find that there are any risks with the proposals to allow non-firm customers to seek firm connections. We agree that applicants should be processed through existing queue management processes.

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 acknowledge there is a risk that the shallower connection boundary reforms may result in organisations delaying connection applications until the reforms come into effect. This might cause a surge in applications, stretching DNO processing capacity. We recognise the logic in proposing to extend connection times temporarily, to ensure certainty of connection time for customers and to help DNOs meet their license obligations. However, we do not support extending time to connect for DNOs. This is



because under existing circumstances, connection times are already too long and unpredictable. We do not support granting DNOs permission not to meet their obligations in a set window of time, on a certain percentage of applications.

3. 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 with the proposed definition of curtailment for distribution-connected users.

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 users should be able to agree a curtailment limit with the network operator, and we agree that the limit should be set via a defined process based on maximum network benefit.

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 agree that limits should be set according to:

- Availability behind the relevant distribution network constraint
- Forecast time-profiled levels of demand or generation
- A probabilistic assessment of the level of curtailment required

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 think there should be a cap on payments made by DNOs who exceed agreed curtailment limits. In certain areas, flexibility may not be readily available due to a lack of a viable market or due to low liquidity in constrained areas. This could result in DNOs regularly exceeding curtailment limits, with these costs ultimately passed onto consumers through DUoS. This scenario would also disincentivise DNOs from offering curtailment limits. Capping curtailment payments from DNOs would create an incentive for DNOs to procure flexibility efficiently ahead of need, which,



in turn, would incentivise them to invest strategically in distribution networks with net zero in mind.

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 should be introduced for non-firm arrangements. This would help network operators to plan timely network investment. Open-ended arrangements would not incentivise network operators to resolve the constraint through reinforcement and / or flexibility procurement.

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 think end-dates should allow time for wider developments. This is the riskier option, but it allows greater scope for strategic investment in reinforcement and flexibility, in response to projected levels of demand. The former option is less compatible with incentivising DNOs to invest strategically in networks ahead of need.

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

We think more operators should be encouraged to adopt time-profiled access rights. Accordingly, attractive incentives should be developed. We agree that where there is a network need, operators should consider and discuss time-profiled access options with customers when making connection offers. These arrangements should have defined triggers for review. We think that this arrangement – in which operators and customer define bespoke time-profiled access rights between themselves – is flexible and appropriate. We therefore agree with Ofgem that the regulator should not prescribe a set of standardised time-bands as default options for time-profiled arrangements.

We agree that standardised time-bands could interact negatively with the need to arrange time-profiled arrangements around the site-specific needs of individual customers. Standardised time-bands would also be unlikely to reflect variable local demand / export peaks.

However, we would like to draw Ofgem's attention to an emerging pattern in EV fleet charging in which operators charge overnight. If Ofgem do



decide at any point to proceed with standardised time-profiled access rights, this should be taken into account.

We wrote in response to the earlier Access SCR consultation that:

- We would like more detail on how users will be able to modify access rights to vary across the year.
- We would also like more detail on whether it would be possible to access the grid outside of an allotted period in the case of an unexpected need for power.

We appreciate that these issues would be a matter for negotiation with individual DNOs.

We think there is a lack of strong incentives for adopting time-profiled access rights. We think that the value of time-profiled access rights should be reflected in DUoS charges, and that this change should be implemented as part of wider DUoS reforms.