

# **Consultation: Consultation on frameworks for future systems and network regulation: enabling an energy system for the future**

May 2023

## About Lightsource bp

Lightsource bp is a global leader in the development and management of solar energy projects, started and headquartered in the United Kingdom. We are a 50:50 joint venture with bp with a mission to help drive the world's transition to net zero. We have spent over a decade driving solar forward, from development right through managing and operating solar projects across our global portfolio. Since 2010 the company has expanded its presence to 19 countries across the world and to date has developed hundreds of solar projects, with a total energy capacity of 8.4GW, with a current growth ambition to deliver 25GW of developed projects by 2025.

The company are firmly committed to contributing to the achievement of the climate and clean energy objectives of the United Kingdom.

Please note LSbp wishes for the responses to be kept confidential as we have included specific project details to complement some of the questions asked.

## Lightsource bp Response to Consultation Questions

### Q.1. What should the role of the 'consumer voice' be and through what institutions and processes should it be channelled?

- LSbp supports the continued role of Customer Engagement Groups, as they are a valuable tool to protect customers' interests. They are a valuable way of ensuring that that Ofgem/ ESO/ FSO/ and the DNOs plan effectively and develop strategies to meet customers' needs.

### Q2. How detailed could an independent, cross vector view become to determine future plans for periods beyond RIIO-2 and support effective use of the 'Plan and Deliver' model?

- LSbp agrees with the three main questions identified within the consultation (section 3.4) – our view is that the first question is the most important in terms of the requisite detail to inform the 'Plan and Deliver' model. Please see LSbp proposed further sub-questions all of which will be apparent to Ofgem however the critical element of this is that this information is then shared with the private sector whom will be partners in this model – either via direct competition for the upgrades themselves or for developers planning their business and investment priorities in the UK (*in italics*). As a solar developer one of the largest frustrations is that we have projects either with planning already or going through planning that could be connected in the next 2-5 years and grid and connection offers are being offered for post 2035 – after the Government own targets for Net Zero Power system and 70GW of solar PV:
  - **What needs to be done (how is investment specified)? (section 3.4, Q1).**
    - *LSbp supplementary sub-questions:*
      - *What is the national and regional status of the current transmission and distribution system – in terms of capacity, requirement for upgrades/ replacement of existing equipment and entirely new infrastructure.*
      - *What projected size and type of generation capacity is going to be built where on a 1/2/3[...]5/10/15 year horizon – what is the readiness of these projects. How will Queue management ensure that actually realisable projects are able to connect with a Queue congested with dead weight.*
      - *How does strategic holistic investment managed, and prioritised, across the entire UK system to ensure the required grid capacity and transmission and distribution infrastructure exists in time for the new capacity being built – especially renewables.*

### Q3. Under what circumstances would competition, or other procurement models such as open book contracting, have benefits over ex ante incentives as a cost control mechanism?

- Intentionally left blank

### Q4. What is your view on the options identified for simplification of incentive regulation? What would be the benefits and costs by comparison to the approaches used in RIIO-2?

- LSbp view is that there is a requirement for fundamental strategic change to managing the transmission and grid system – the increases in investment as described in the papers, £20-27bn in the 2030s alone, suggests to us that trying to make incremental changes to the existing system would not provide the generational transformation that Net Zero requires. LSbp agrees that this archetype is better used as one pillar of an optimal system.

**Q5. What are the network activities where there would be benefits for a move to an ex post monitoring regime, and what would be the associated costs?**

- LSbp view is on ex post regime is similar to Incentivised Investment – not sure this delivers the many required thousands miles of new transmission and distribution cables. LSbp agrees that this archetype is better used as one pillar of an optimal system.

**Q6. What are the benefits and costs of this approach for Electricity Transmission by comparison to an evolution of the approach in RIIO-2, and what are the implementation barriers?**

- Firstly LSbp support this proposed system as it is described in the paper, however we acknowledge the difficulties in implementation will likely bring significant costs in the near term. Two main implementation barriers that we foresee include: resource availability in the UK – the specialist workforce market in the UK (and Europe/ Globally) is already constrained; and the operational and deployment challenges including organisational changes and imbedding of new processes and systems resulting in delays that further worsen the current situation.
- The need for change quickly and successfully is massive, from Lightsource bp's experience in the market today there is currently there is a disconnect between distribution and transmission that is significantly impacting the timing for the development of our projects. The normal timeline for connection we see is as follows:
  - A DNO takes 3 months to issue an offer which is subject to TSO (National Grid ESO) approval. This means that a generator must accept not only the DNO's offer, but also the risk that TSO rejects the generator's connection.
  - Following acceptance, the DNO takes between 2 and 3 months to prepare the application for the TSO to approve the connection.
  - Following this, an additional 3 months is needed for the TSO to review and decide on the connection.
- On average, it takes about a year to have a definitive connection permit, a significant proportion of which comes from the TSO's involvement in the process. In this regard, we see as a priority that this process (TSO acceptance of the connection offer) is streamlined and better coordination between DNOs and the TSO. This would help to shorten the overall process.
- Further the current Connection offers, as covered above, are incredibly long dated. Please see below examples of recent projects in the UK. This supports our view that incremental or business as usual changes are not going to deliver the fundamental changes requires and be able to manage the huge investment required.

Project name	DNO/TSO	Capacity (MW)	Grid Offer Acceptance Date	Project Progression status	Connection Date
Maldon PV	UKPN	50 MW	10/05/2022	Pending	2032
Pembridge BESS	SSEN	50 MW	03/02/2023	Pending	2031+
Titchfield BESS	SSEN	50 MW	22/11/2022	Submitted	TBC
Hett PV	NPG	44 MW	13/02/2020	Received on 26/9/2022	2031
Burwell BESS	UKPN	5 MW	05/07/2021	Pending	Likely to be 2030+
Threepwood	SPEN	100 MW	29/06/2023	Pending	2030 +

**Q7. What is the potential for Electricity Distribution planning and commissioning to move to an alternative model by the end of RIIO-2, and what might be the benefits and costs of doing so?**

- Please see Connection Offers for distribution projects listed above, the potential has to be that these issues are fixed imminently otherwise the Solar sector are not going to be able to deliver on our potential to provide clean and cheap renewable KWs.
- LSbp regards one of the potential benefits of the ‘holistic transforming system’ is that incentivises TSO/DNO operators to maximise existing grid capacity more efficiently. We believe Grid operation remuneration methodologies should incentivise TSO/DNO operators maximising the use of the existing grid. Instead of the current TOTEX based remuneration schemes, grid operator remuneration should reflect the high value of grid use maximisation by remunerating based on how the grid operator has efficiently avoided network reinforcement costs by providing for flexibility arrangements, handled curtailment, presented customers with transparent data, etc. A good source of inspiration for this change should be the RIIO-ED2 framework which has been proposed by Ofgem in the UK and, in particular, the outturn performance metrics of the financial incentive framework.
- A further benefit is that the alternative model would allow TOs/DNOs to make more strategic investment decisions – as described in the consultation paper. To date TO/DNOs have planned and allocated upgrade investment on a reactive basis, whilst RIIO-ED2 is a good framework Ofgem should give the DNOs more freedom in terms of not locking them down to the allocated TOTEX should the circumstances mean the DNOs need to invest more holistically.
- Lightsource bp is aligned with the proposal to introduce the Regional Planning Model which would have responsibility to plan whole system coordinated development – the need for strategic investment for system upgrades is paramount for the UK to reach its Net Zero targets. Our view is that in order for the Regional Planning Model to be effective it will need to consult with renewable developers to ensure strategic investments are delivered where real interests lie.

**Q8. What is your view on the most effective approach to regulation of Gas Distribution and Transmission beyond RIIO-2? What would be the benefits and costs of moving to a simpler approach to regulation of the ongoing costs of operating and maintaining the network?**

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**Q9. Should there be a shorter-term price control in gas distribution and/or gas transmission, and how could this work in practice?**

- Intentionally left blank

**Q10. Would there need to be any changes to maintain a stable and consistent financial framework if we were to make greater use of different regulatory archetypes, and if so, what would those changes need to be?**

- Lightsource bp supports the overarching concepts set out in the paper, whilst noting that we believe RIIO was a good framework, one comment we wish to make is that a good framework is one part of the problem with implementation the key to realised results. Proving flexibility to TSOs and DNOs to implement the realities of the market will also be key.

**Q11. Do you have any views on our proposed analytical approach?**

- We agree with proposed set of consumer interests and agree with considering a wide range of costs and benefits.