

REA Draft Response: Ofgem's open letter on future reform to the electricity connections process

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above consultation. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK.

The REA regularly hears from its members about the delays caused by grid capacity constraints, with some members receiving an estimated grid connection date of more than ten years. Such delays are incompatible with meeting the Government's aim of a decarbonised power grid by 2035. The REA therefore broadly welcomes this letter and Ofgem's commitment to push ahead with reforming grid connections.

We welcome the approach that Ofgem has decided to take, alongside the action plans recently published by ENA and National Grid ESO. The REA and its members look forward to working with Ofgem on implementation.

We wish to highlight a couple of points in relation to the suggested plans below.

Strategic Network Investment

The REA welcome the moves taken in RIIO 2, but we would also like to highlight the importance of a clear process for DNOs to go beyond RIIO 2 rulings when further investment in grid infrastructure can be demonstrated to be necessary to quickly address capacity constraints. We note that several DNO business plans did originally include investment intentions regarding grid reinforcement that were beyond the final determinations of Ofgem. Such processes could be used to consider where further investments and costs could now be justified in line with Ofgem's stated grid ambitions.

Efficient and flexible network management

We support the fact that Ofgem's consultation on the future of local governance and institutions sets out roles and responsibilities of key distribution system operator functions. We believe these should be closely mapped to the delivery of the Smart System and Flexibility Plan to expedite delivery and ensure a common direction.

In addition, we welcome the proposed market facilitator for flexible resources and call for their remit to specifically recognise the role that storage, at all durations and all technologies (not just batteries and including thermal storage), plays in helping to maximise current grid capacities and reduce the level of reinforcement required. However, the remit of this market facilitator needs to be further spelled out, with it made clear the extent of their powers and how they would integrate with other existing bodies, including the role of the new FSO.

Fit for the Future Connections Process

The REA welcomes Ofgem's stated intentions for more transparent and standardised information across the system. Although we recognise that DNOs are privately-owned entities with their own rules, we would like to highlight that DNOs should be encouraged, as far as possible, to have standardised applications and process for grid connections.

As part of developing the connections process, we support the call for a review of the queue management process, this should be central when considering options to deprioritise projects that are not making progress. This review should include reviewing current DNO milestone dates and thresholds, ensuring that they are fit for purpose and, unlike current milestones, aligned with realistic expectations. Typically, due to current milestones not being readily applicable, the connections milestone has needed to be treated on a case-by-case basis. However, more standardisations could be achieved through more realistic milestones and consistent application.

As part of the connections process, Ofgem should also consider the communication processes between DNOs and National Grid ESO, as the TNO. There needs to be an understanding of how constraints at the TNO level can also lead to constraints at the DNO level. In the past, DNO delays caused by TNO constraints have been deprioritised behind reinforcements required for direct TNO applications. There needs to be assurance for the DNOs and developers that relevant TNO issues, that have knock on effects for distribution networks, can be resolved in a sensible and timely manner in parallel to direct TNO applications.

As part of developing the future connections process, Ofgem should also consider how they are able to do suitable due diligence with DNOs and National Grid ESO to ensure they have sufficient human resources to deal with the expected volume of connection applications. Some of the delays currently experience come down to lack of staff to consider and check connection agreements, even before considering if there is capacity to connect. Addressing human resource constraints must be a priority for all relevant stakeholders.

Finally, the Government is working with industry to create road maps for the deployment of renewable technologies, including the solar taskforce. A timely grid connection is essential for achieving the milestones within these road maps. The REA encourages clear communication between this taskforce, Ofgem, and DNOs to ensure that changes implemented by Ofgem are integrated into the road maps.

Short-term action (2023)

The REA welcomes the proposed timeline, and we would emphasise that this timeline should remain fixed and not be allowed to slip. As committed to, new connection offers must be available for existing projects by March 2024.

As mentioned under the efficient and flexible network management section, reviewing current DNO milestone dates and thresholds should be an immediate action on queue

management. This should be considered in line with reviews of the controlled access and coordinated connection plans. To tailor these initial proposals to industry and ensure maximum compliance, it is also important to hear directly from developers on issues at the distribution level. The REA would be happy to arrange relevant roundtable meetings to facilitate such discussions.

When considering the monitoring arrangements for these short-term actions, the REA suggests holding regular review points with industry, such as by running an annual industry survey, to monitor how the situation improves or where new issues arise for developers.

What you can expect from us

The REA welcomes Ofgem's commitment to working with industry and monitoring the progress of industry initiatives. The REA offers its support in helping to convene industry to drive these actions forward.

In Figure 1, Ofgem outlines their role and responsibilities within the review of electricity connections arrangements and future reforms. It would be helpful for Ofgem to further outline how they see their responsibilities changing once the Future System Operator (FSO) is in place.

Annex A: Proposed objective, outcomes and principles for reform

The principle to ensure greater coordination and consistency across system boundaries could be further achieved by improving the publicly available data across the country on where capacity issues exist and where connections have the shortest time frames. This could be achieved by developing standardised capacity constraint heat maps that are fully up to date and easily accessible.

In the fifth principle of Table 1 ('Connections reforms are resilient to wider reforms') that will guide the review of electricity connections arrangements, a list of wider reforms programmes, that connection reforms should be aligned with, is provided. Evolution of market support mechanism should also be included in this list, especially reforms to the CfD and Capacity Market.

Annex B: Illustrative reform stages and options for consideration

The REA welcomes the illustrative stages of reform. We suggest that Ofgem conducts frequent reviews with industry to determine progress. While progressing through these stages there should be a focus on data provision to industry for them to easily identify areas where improvements are made and where connections might be possible.

Annex C: Key dependencies and longer-term outlook

When considering how future connection arrangements will be compatible with the outcomes of wider reform programmes, the evolution of CfD mechanism and Capacity

Market should be included, both of which have recently been consulted on and are also subject to considerations under REMA.

Annex D: Support for Distribution Queue Optimisation

The REA also supports the principle of DNOs introducing progression milestones into older connection agreements to facilitate the more active management of distribution connection queues. In addition, we also support the principle of DNOs optimising the capacity headroom in distribution queues. However, we add that this principle should make specific reference to the role of storage assets in maximising the existing grid capacity. In doing so, this principle must recognise all durations of storage, the grid services that can be provided, and the different technologies involved (including thermal storage).

Ofgem could also consider how preferable commercial conditions could be provided in connection agreements, such as where connection duty can be decreased through increasing duration for an existing or proposed fixed capacity.

June 2023

If you have any questions in relation to the above response, please contact Mark Sommerfeld: msommerfeld@r-e-a.net