



Flexible Generation Group
13 Thornton Hill
London
SW19 4HU

Telephone: 020 8239 9917
e-mail: mdraper@peakgen.com
www.flexgengroup.com

By email: connections@ofgem.gov.uk
Deadline: 16 June 2023

16 June 2023

Dear All

Future reform to the electricity connections process

The Flexible Generation Group (FGG) represents the owners of and investors in small scale, flexible generation and storage. These power stations are embedded in distribution networks and provide a variety of vital services to the system operator and the DNOs to help them deliver secure, economic supplies to electricity customers. We have assets connected to both TOs and DNOs and share Ofgem's concerns about the ever growing connections queue.

FGG welcome all efforts by Ofgem and the network companies to try to progress improvements in the connections process in the very near future and are pleased that you will consider all necessary reforms to make this happen. There are a large number of speculative connections that the networks are seeing and a way to stop this bed blocking would be to insist on some sort of land rights to get on the TEC register such as is required on the island of Ireland.

FGG recognise that to meet net zero targets there will need to be significant increases in capacity. This is not solely focussed on the need to meet the Government's renewables targets, and the storage to support those renewables, but also changes in demand from EVs, heat pumps, etc. It is therefore critical that Ofgem does everything it can to improve the situation as quickly as possible.

FGG believes that the following are the areas where efforts should be focussed:

- DNOs must start making anticipatory requests to the TOs for capacity. At the current time the DNOs wait until they have sufficient accepted connection offers before requesting capacity. This may mean that the first 1MW asking for a connection could not form part of a DNO request to the TO for months, or even years, after they accepted their connection offer. This is resulting in connection dates slipping not by months, but years.
- FGG fully supports anticipatory investment being made across the networks. However, we are worried that where Ofgem is signing off on small projects that process is slowing delivery. For example, the Hackney Waltham Cross Upgrade

Project was identified as a “Holistic Network Design (HND) critical” reinforcement in the July 2022 Network Options Assessment (NOA) Refresh (July 2022). Ofgem’s FNC decision is expected in summer 2023. At c£300m that is a relatively low cost for a significant and necessary upgrade. Critical projects should progress instantly and the regulatory asset value, efficiency of expenditure, etc. judged on an ex-post basis.

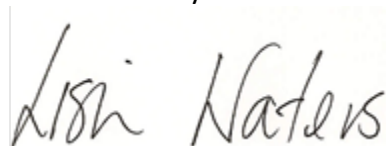
- Flexible network management is critical. However, FGG has raised concerns with Ofgem around the inability of NGESO to efficiently despatch smaller plants, with high skip rates potentially resulting in larger plants being relied on for services such as Balancing Reserve. While we know NGESO plans for its new Open Balancing Program to go-live in December, Ofgem must keep the pressure on NGESO to better utilise the small flexible assets on the system. Likewise, the Open Networks projects needs to create a better route for coordinating energy flows between DNOs and the ESO. Another layer of management, such as a network facilitator, is in our view unlikely to make the arrangements more flexible.
- FGG supports active queue management for connections and we trust that your decision on CMP376 will be made in a timely manner. However, we had a queue management system in the past and it was abandoned as it did not deliver the efficiency expected so any new and retrospective contractual terms will need to be implemented and monitored very robustly. Ofgem need to watch how queue management works and step in if they are not seeing the progress they expect and the market needs. There also needs to be some clear steer on policy from DESNZ if prioritisation is going to be used. Do they want to see capacity market agreement holding plants connect before renewables, or carbon capture plant before gas, etc.?
- With regards to Annex D on distribution queue optimisation, the FGG believes that both paragraph 3 and paragraph 5 appear to lack any regulatory enforceability and it would appear that unless moves are mandated that progress will be too slow if it relies on individual bilateral negotiations and not offending any parties. With regards to distribution connections, often the distribution network has available capacity but are unable to offer a connection date in the near future as a long list of transmission reinforcements are required first. Therefore sorting out the transmission / distribution boundary interaction issues should be a top priority and the FGG is pleased to see this mentioned in your letter.
- Ofgem’s letter sets out actions it intends to take, which are to be welcomed. However, Ofgem need to consider a strategic review into what about the regulatory regime has meant that network investment has not kept pace with the market’s needs. FGG believes that the DNOs, like the ESO, could have a plan around future investment (a strategic roadmap) and Ofgem have a more light touch, faster way to approve investment. Instead of defaulting to worrying about stranded assets, Ofgem should default to approving investments. With congestion costs regularly

running to c£20m per day there is a lot of investment that can happen before the costs outweigh the consumer benefits. The GB energy market has no record of stranded assets, so a new default position from Ofgem now to approve network investment is required to enable the transformation of the networks that is needed.

- While connection dates are so far in the future, and the investment to achieve net zero is so high, Ofgem should also reconsider the way connections are being financed. While we understand the securities required are meant to deter parties holding capacity they will not use, this has clearly failed. Where connection dates remain long, the securities could be required later, for example at the point the network is ordering equipment. Allowing the monopolies to sit on the cash for years without spending it is removing working capital from a sector that needs to invest in the energy transformation.
- Finally, it is not clear that the ESO sitting in the middle of the connections regime is helpful unless they have the powers to require the TOs to take forward changes. For example, we have seen NGET take forward changes in the way they are modelling storage before the Scottish TOs. If these types of changes are felt to be sensible, then they need to be made by all parties at the same time. We would suggest Ofgem considered the role and the powers of NGESO as it becomes the FSO. For example, should they be checking that signed connections are accompanied by equipment orders? Alternatively, the ESO could advise the networks, but Ofgem make the networks responsible for minimising constraints within their networks.

We would be happy to discuss this with you further if that would be helpful.

Yours sincerely



pp Mark Draper
Chairman