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Open letter on future reform to the electricity connections process

Contact:

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Summary

Energy Systems Catapult (ESC) welcomes the opportunity to respond to Ofgem's open letter on reforming the electricity connections process.

ESC was set up to accelerate the transformation of the UK's energy system and ensure UK businesses and consumers capture the opportunities of clean growth. ESC is an independent, not-for-profit centre of excellence that bridges the gap between industry, Government, academia, and research. We take a whole systems view of the energy sector, including in policy design and implementation, helping us to identify and address innovation priorities and market barriers, to decarbonise the energy system at the lowest cost.

At this early stage of Ofgem's process, we'd like to draw your attention to the following points:

- Ofgem's open letter focuses on network hosting capacity and the connection queue. While we agree that these are two fundamental elements that are hindering rapid connections of renewables and storage, the missing element is where generation and storage decides to locate. The current electricity system drives inefficient locational decisions. The solution to inefficient siting is twofold:
 - **Coordinated planning.** At the transmission level, the FSO will have an important role in better aligning connections management with network reinforcement plans. Depending on its role and function, the proposed Regional System Planners could be similarly essential at the distribution level.¹
 - **Locational incentives.** ESC has long argued that the current electricity market design drives inefficient siting decisions because of the absence of strong locational price signals (with renewable generators further shielded through contracts for difference). Granular price signals – which we think should be derived through nodal pricing in the wholesale market² – can incentivise generators and storage to locate where the network is best able to accommodate them.
- ESC has supported the Energy Networks Commissioner to develop recommendations for speeding up the delivery of major transmission network delivery. Conclusions from this work are expected to be published by summer 2023 and should provide further relative recommendations for this consultation.

We are keen to continue engaging with the Ofgem team on this important topic.

Sincerely,
Ben Shafran

¹ Please see our [response to Ofgem's consultation](#) on local energy governance and institutions.

² [ESC, Rethinking Electricity Markets](#)