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Dear Akshay

Our response to Ofgem's connection open letter - What we are doing.

At Electricity North West, we are continuing to innovate as we transition our network to net zero, deploying innovative technology in both our advanced network management system and across our distribution network to meet the changing needs of our customers and to release capacity to accommodate the increasing demand for new connections. In addition, we have strengthened our business processes, particularly in the way we assess the impact on our network from the connection of new technology such as Battery Electric Storage Systems. In doing so, we have improved our customer service and released significant additional capacity, mitigating the need for reinforcing our network before connecting customers. The introduction by Ofgem this year of the Access Significant Code Review (SCR) alongside our regional stakeholder engagement has allowed us to develop regional network development plans to address the actual and forecast needs of customers, notably in central Manchester and in the wider Cumbria area. By delivering these network upgrades during ED2, we ensure that there is capacity available for our customers as they continue to transition to net zero. Currently, however, where there is no published headroom available at the associated grid supply point, the connection process requires that we formally request the National Grid ESO assess the impact on the transmission system of customers of 1MW and above connecting to our network. As most of the grid supply points in our region have no material headroom declared available by the ESO, it's likely that our customers, even those of a relatively small size, e.g. roof-mounted solar panels of around 1MW, could be presented with connection dates dependent on the upgrade of the transmission system. This is despite there often being sufficient capacity available on the distribution network to accommodate their requirements. It is here then that there is a significant challenge across GB as the ESO forecasts that, owing to the volume of new connections, the upgrade of the transmission system will continue for decades to come.

The solution to the challenges presented by the high demand for connection to electricity transmission and distribution networks is clearly 'whole system' in nature. It's not enough for the distribution network operators to have and add to capacity on their network if the constraints on the wider transmission system continue to result in delays to the connection of customers to those



networks. The ESO must work with the DNOs to ensure its solutions are compatible with those being developed locally.

We're pleased that as part of its 5-point plan and its reform of the connections process, the ESO works closely with industry and its wider stakeholders to address the challenges presented by the high demand for connections and its need to upgrade the wider transmission system. Through our engagement with the ENA, in particularly the Strategic Connections Group (SCG), we are working collaboratively with the ESO and the other DNOs and TOs to develop and implement a set of tactical, coordinated solutions to mitigate the current challenges. Besides the innovations we have made, we believe by implementing these tactical plans alongside the other network operators, we will be well placed to meet the current and near-term demand for new connections. Of course, we won't stop there. The demand for new connections is forecast to grow further out to 2035 and beyond. As such, we will continue to innovate and to work collaboratively with the ENA and others on medium and long-term solutions to keep pace with this demand. We look forward to meeting this challenge and delivering for customers in the north west.

In view of the challenges faced by our customers owing to the constraints on the transmission system, we welcome Ofgem's decision to review and reform the process of electricity connections. We'd like to thank Ofgem for the opportunity to comment on its open letter.

The nature and priority of connections issues (Section 1 – The challenge);

We agree with you it is a combination of several factors that has contributed to the formation of long connection times or queues, including the high customer demand for new connections, the increased levels of interactivity between the distribution and transmission network, and the method used by network companies for managing applications and connection offers, i.e. first-come-first-served and the ESO's connection "mod app" process. However, owing to the charging regime in place prior to the start of ED2, the network upgrades needed to accommodate these new connections have hitherto been delivered reactively, i.e. in response to customers accepting connection offers, and the absence of strategic upgrades in anticipation of the demand has contributed to the issues. The changes in charging from the Access SCR, the RIIO-ED2 price control and the inclusion by Ofgem of Uncertainty Mechanisms will, we expect, go a long way to allowing distribution network operators to deliver stakeholder-led upgrades to their networks in anticipation of need.

Priority areas of focus for Ofgem (Section 4 – What you can expect from us);

We are pleased that in its recognising there is a need for change in this area, Ofgem has agreed to take a central role in driving progress on the reform of connections arrangements, including working closely with government and industry. Ofgem acknowledges its key role in reviewing and supporting the tactical solutions, including the ESO's 5-point plan and the SCG's tactical solutions. Through its connections reform programme working with government, Ofgem can build on industry thinking and provide guidance on the various stages of future reform. However, it is likely that to deliver the medium and long-term solutions needed, significant and potentially radical changes to current processes will be required. Most of these are set out in the terms of transmission and distribution licences and the various connections and operating codes that go alongside them, which include important obligations on a network operator to be non-discriminatory in its application of relevant processes and where necessary to support competition. Owing to the tensions that can form between the relevant obligations in these areas, it has traditionally taken a long time to progress changes to industry codes and licence obligations, which underpin the connections process. If GB is to meet the government's challenge of transitioning to net zero, working closely with industry, Ofgem will need to move at pace to drive through these reforms and the changes to codes. This is a considerable undertaking and we look forward to working with Ofgem and others on this challenge.

Our proposed objective, outcomes and guiding principles (Annex A); and,

It is our aim to reduce the time it takes for our new connection customers to progress from application for connection to eventual energisation and, in doing so, to facilitate the transition to net zero. We are pleased that Ofgem's stated aim of its review of connections processes is aligned with this.

We're broadly supportive of Ofgem's objectives of the review. We are already developing our tools for providing consistent and granular data to our customers in advance of expected upgrades, incorporating the planned expansions in Manchester and Cumbria into our updated Long-Term Development Statements signalling the availability of capacity to customers. We look forward to working with Ofgem and others on ways in which this can be further improved. We welcome Ofgem's intention to improve the robustness of the connection application process to allow us to improve the services we provide to new customers, including the potential to fast-track shovel ready customers through to energisation which might ordinarily be unduly held up by slower moving projects. Notwithstanding that there is work still to do on correctly defining and subsequently identifying and duly promoting shovel ready projects while remaining compliant with existing connection code rules. Furthermore, customers are right to expect greater coordination between the transmission and distribution companies, particularly where their connections require whole systems approaches. We are therefore pleased that this is an objective of the Ofgem review.

In seeking to ensure reforms deliver benefits to current and future customers, accelerate progress towards net zero, begin delivering as soon as possible, improve the coordination between networks and ensure any changes are resilient to wider reforms, we are broadly happy that Ofgem has identified the principles needed to deliver on the objectives of the reform.

The illustrative reform stages and options for consideration (Annex B).

We consider Ofgem's reform stages and the options for consideration to be a very good starting point for the reform of the connections process. The industry is busy working on near-term, tactical solutions and it's therefore logical that this should form stage 1 of Ofgem's reform programme. Through its membership of the SCG, Ofgem is well placed to deliver on its key role of supporting and driving through at pace these tactical changes. The interface between transmission and distribution is a key area and we believe there are opportunities to build further on the tactical work of the SCG. We are therefore pleased to see that this area forms stage 2 of Ofgem's reform. Stages 3, Controlled Access, and 4, Planned and Coordinated Connections, will need further consideration and suitable engagement with connection customers. There is insufficient detail in the open letter to be certain of Ofgem's intentions. However, we are broadly supportive of the need for changes to the current process for accessing and managing the queue and the potential for improved, more coordinated planning for new connections. We look forward to working with Ofgem and wider stakeholders in developing the further the specific intent of stages 3 and 4.

Should Ofgem wish to discuss any of these issues in more detail please don't hesitate to contact me or Dan Randles (Dan.Randles@enwl.co.uk) in the first instance.

Yours sincerely

Paul Auckland
Head of Economic Regulation