

16 June 2023

Our ref: Future Connections Response

Akshay Kaul
Ofgem
10 South Colonnade
London
E14 4PU

By email only to Connections@ofgem.gov.uk

Dear Akshay

BUUK welcome the opportunity to respond to Ofgem's open letter on future reform to the electricity connections processes. BUUK owns and operates electricity networks across GB through its licensed IDNO businesses and also operates as an Independent Connections Provider providing connection services to a range of customers and operating across the distribution voltages. BUUK have been heavily involved in the development of the competitive connections market in distribution through the establishment of the Competition in Connections Code of Practice (CiCCoP), engagement with the Incentive on Connections Engagement (ICE) and bilateral engagement with all DNOs on issues which we believe have prohibited the timely delivery of connections.

We agree with the objective as set out Ofgem's open letter "*to see electricity connection offers with shorter average connection dates which better meet customers' needs and enable a timely transition to net zero*". However, we think the proposed scope of work, to only "...consider whether substantial changes to the current connections queue methodology are required..." is unnecessarily narrow. Whilst we support work to enhance the efficiency of the connections process, we think that improving the process on its own will do little to improve connection times for many customers. Therefore, we think the connections review should also consider placing more emphasis on extending the competition in connections framework to include:

1. Improving contestability in reinforcement whereby third parties could develop and deliver solutions to address network constraints
2. Developing flexibility arrangements that mitigate the need for reinforcement.

Competition has driven vast improvements in the distribution connections processes for the last 15 years and the work Ofgem undertake needs to harness that competition to enable to transition of the energy network. As an operator in a truly competitive market we have seen the benefits of competition in enabling innovation of design and delivery of new connections and we believe this should be more properly considered as part of Ofgem's work.

In its open letter, Ofgem sets out that under the RIIO regulatory price control mechanism, it is enabling strategic investment in advance of need and that it continues "*...to work with industry to drive forward rapid improvements to connections processes...*". Whilst this is welcome, we are concerned that this will mean when it comes to delivery. We note that in 2015 Ofgem undertook a review Quicker and more efficient connections, where among other things

investment in advance of need was considered. Although some limited incremental progress may have been made, it would seem the fundamental issues raised then are the same ones being raised now. In the meantime, the clock to net zero ticks ever faster. Therefore, we urge that as part of its review Ofgem considers developing tangible (measurable) deliverables to address the identified issues (which could include a transparent process/mechanism for agreeing additional investment). Ofgem should consider, and where appropriate review, how it can use regulatory levers within the price control framework to ensure that DNOs are held to account on delivering the required reinforcement and network upgrades. We would welcome engagement from DNOs and Ofgem as to how we can support this delivery through the competitive frameworks.

We are seeing meaningful emerging markets for the provision of flexibility and other resources which enable more efficient use of existing networks, and it is imperative that those markets are encouraged through the connection regime and meaningfully facilitate the connections regime. The use of aggregation, smarter networks and the digitisation of networks will also ensure that, as an industry, we are able to optimise existing networks. We note that much of the cost signal for connection customers to locate in areas with sufficient capacity has been removed by the Access SCR outcomes and has not yet been replaced. The removal of the cost signal has meant that customers now wishing to proceed with previously uneconomic connections are exacerbating the connection queue volumes.

We also have concerns about giving DNOs more discretion in how they manage their connection queues. Moving away from the current first come first served basis of the connection queuing by introducing some further prioritisation criteria is attractive but this could introduce other market distortions without any counterbalances. We believe that unless any criteria are explicit and managed externally from the DNO there remains risks to distorting markets away from important drivers including fairness and open competition.

Independent network operators have played a significant role in developing agile, innovative solutions for connections and have been able to challenge incumbent operators to ensure the most beneficial outcomes for customers. The connections framework should continue to encourage the ability of market participants who have already demonstrated their ability to react to customers, focus on innovative solutions and bring those solutions rapidly to market. The rate of change in the development of the energy networks will benefit from the range of benefits that this competition can bring.

Should you wish to discuss this response in more detail then please contact me and we would be happy to discuss in depth.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Hutton', with a large, sweeping underline.

Keith Hutton
Group Regulation Director