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# **ADE response | Future Reform for the Electricity Connections Process**

## **23<sup>rd</sup> June 2023**

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### **Introduction**

The ADE is the UK's leading decentralised energy advocate, focussed on creating a more cost effective, efficient, and user-led energy system. The ADE has more than 160 members active across a range of technologies, they include both the providers and the users of energy equipment and services. Our members have particular expertise in heat networks, combined heat and power, demand side energy services including demand response and storage, and energy efficiency.

### **Response**

The ADE welcomes Ofgem's open letter on future reform to the electricity connections process. It aligns closely with our own values on addressing connection issues, and we are pleased to see the gathering pace of all parties involved in addressing it. As a member of the ESO's Connections Reform Group, the ADE will do our utmost to assist Ofgem in its actions over the Summer, providing the best deal for Transmission and Distribution network users. We have a number of areas we'd like to expand upon Ofgem's letter with, namely the below points.

### **Overall**

1. Whilst we appreciate the reasons for the focus on generation, connections are also becoming problematic for demand, including for heat networks and industrial sites looking to reduce their carbon emissions through renewable electricity and storage. Ofgem's and industry's work needs to reflect this and get ahead of these issues now before they are exacerbated by further exponential increases in demand from the electrification of heat and transport
2. Whilst we support the collaborative role Ofgem is taking towards industry efforts, we consider that they should be stronger in how they will intervene if sufficient progress is not made in a timely way. At present, the letter is very vague with respect to firmer measures, including licenses and RIIO
3. At Distribution, there is a clear risk in these proposals that this leads to an enormous expansion of Active Network Management. The ADE does not consider that Active Network Management to be suited for a future of larger, flexibility markets at both Distribution and Transmission, and where much of the system's flexibility comes from distribution-level capacity participating in national markets. ANM does not value constraint close to real time and in current circumstances, is therefore likely to under-value constraint; it splits markets by technology by adopting ANM for generation and flexibility markets for storage and DSR; and it creates administrative barriers to participation in national markets. We also have concerns about the accuracy of curtailment forecasts in some scenarios, and making a decision on these to accept a non-firm connection therefore involves risk. The ADE supports the expansion of non-firm physical connections at Distribution as part of the answer to this

problem but as far as possible, this needs to come with an expedited shift to financial firmness through Distribution-level, truly technology-agnostic constraint markets and access to the Balancing Mechanism at lower voltages and for smaller assets.

4. Further work is needed to reform network standards at Distribution and how this feeds into Distribution-level connections, access and reinforcement needs. Our members cannot install non-exporting renewable electricity and storage in domestic or industrial sites in some areas because the DNO models their impact on the basis of export. Coupled with accelerating physically non-firm, financially firm access, this needs to be reformed to allow non-exporting capacity to be added more quickly and at less cost. We have concerns about the transmissions-distribution interface could stall due to focus on the transmission network without due consideration of the distribution network, and further stakeholder engagement in future will be necessary in this area to bridge this gap more fully.
5. Project progression needs a far larger overhaul than is considered in this letter. From the perspective of distribution-connected users, project progression is exceptionally difficult to manage. The users generally have an account manager at DNO-level who blocks access to those in the ESO but does not have good information about the state of the project. Further, the timings of project progression means that industry can be forced to take FID ahead of knowing what cost they will incur as a result of project progression and given the amounts involved, this can be very challenging for companies to respond to.
6. Further reform of Access is needed. Ofgem have set out a clear strategic view that demand-led reinforcement should be socialised. It does not make sense that this principle holds only for Distribution reinforcement costs but that industry still faces high costs for transmission reinforcement.
7. We support the Centralised Strategic Network Plan and its potential to introduce a more strategic approach to transmission-level reinforcement. However, given the electrification of transport and heat, and the likely electrification of at least part of industry, the work to introduce a similarly more strategic approach at Distribution could move faster

### **Longer-term issues to consider**

- *Role of locational signals.* As set out in some detail in this response, the ADE strongly supports accelerated and more strategic network reinforcement. However, a constraint-free network is a gold-plated one. Therefore, it is important that Ofgem simultaneously retains its focus on locational signals and the development of constraint markets at both national and local level
- *Interaction between sectors isn't strategically planned.* Power generation decarbonisation, increased flexibility, and electrification of the transport, heating and industrial sectors are all occurring simultaneously. The connection issue highlights that each of these anticipates being able to connect to the grid and electrify, but as there is no strategy for managing these sectors simultaneously, the first-come first-served setup of the current connections process will determine which sectors can reach their decarbonisation targets and which can't.
- *Future market changes.* We support acknowledgement in the letter that Ofgem's long-term response to connections needs to consider the Review of Electricity Market Arrangements (REMA) and the creation of the Independent System Operator (ISOP) and Regional System Operators. In the short-term, it would be good to see explicit considerations within the ongoing REMA work acknowledging and exploring this interaction.

The ADE and its membership are ready to assist Ofgem with its future policy development of this, and happy to work further on its action plan as its developed over the summer.

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