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Dear Connections team,

Subject: Shell response to Ofgem's open letter on future reform to the electricity connections process

Shell welcomes the opportunity to respond to Ofgem's open letter on future reform to the electricity connections process.

We are supportive of Ofgem's work to review the connections process and ensure it is fit for purpose. We are supportive of your programmes of work to increase strategic network investment, enable efficient and flexible network management and ensure the connections process is fit for the future. Importantly these processes are linked and at a strategic level their development needs to be considered holistically.

We think that Ofgem has generally identified the correct challenges but the National Grid ESO (ESO) and Distribution Network Operator (DNO) interface needs to be included as a challenge as well, even if you have identified it as an area of reform. With nearly every DNO connection impacting the transmission network there needs to be a timely, effective and transparent process to handle distribution connections and their impact on the transmission network. We also think that the lack of capacity is in itself a challenge, as it provides a strong incentive for bed blocking in a 'first come first served' queue.

We are supportive of the ongoing reforms and view that many of them are necessary, especially as the electricity and connection requests continue to evolve. We view that any move to Stage 3 or Stage 4 type reforms need to be considered carefully. The current connections issues have built up over many years, and any fixes, especially with network investment, will take time before we can assess how effective they've been.

We are also supportive in principle of an optimised distribution queue. Our initial view is that planning permission could be a key metric, similar to it being used in the existing queue management process. We would also be keen to explore whether there is an appropriate

financial metric that can be used to accelerate projects that are ready to connect. Overall, we would be keen to understand how this would work alongside examples of where it would enable other projects. In our experience, distribution connections are also more opaque than transmission making it hard as a customer to have firm views on the changes or solutions that would lead to better outcomes.

In addition, we suggest it is key that Ofgem also considers how customers transition and ensure there is clarity. This is especially important due to the recent practice of offering “holding offers”, across both transmission and distribution, which later need to be modified or completed. As an example, we are concerned that there is no clear visibility of whether or how our projects in the Holistic Network Design workstreams will be impacted by CMP376.

Finally, while we are supportive of reform, we view that none of this should detract from the need to reinforce the electricity networks as well as delivering a stable and predictable environment that supports customers investing and connecting. In our view the reinforcement process fails to value the benefit and the need to be able to provide timely connections to customers. This is a necessary enabler for the UK’s net zero transition and carbon budgets. and should be a key consideration under Ofgem’s Net Zero remit, which will also protect future consumers.

Below we have set out some views under the different sections you asked for feedback on.

The nature and priority of connection issues (Section 1 – *The challenge*)

We are supportive of the challenges that Ofgem has set out and view that it is right that the list starts off reflecting that capacity is scarce. We suggest that Ofgem should also reflect that the capacity being so scarce incentivises speculative connections and bed blocking behaviour from customers.

We agree that interactivity and attrition are issues. However, we are not sure that the first come first served policy is the issue. Our understanding is that interactivity and attrition can still be difficult to handle in a managed queue. As an example, in the Holistic Network Designs the ESO has stated that it is very complex to handle interactivity and attrition with coordinated transmission infrastructure, where the role of first come first served is minimised. We are open to trying to address interactivity and attrition, however we are not convinced that its complexity and impact justifies it being a priority.

We also view that the ESO/DNO interface needs to be considered as an explicit challenge. Many distribution connections face process issues and the current Statement of Works process is opaque and time consuming.

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

We are encouraged to see Ofgem take a more active role in driving changes and also provide guidance and challenge to the ESO’s and the Energy Networks Association’s (ENA) work.

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

We are supportive of Ofgem's objectives and reform outcomes. Our only concern with the principles is that they are not explicit about the need for shorter connection times, even if it can be inferred from the principles.

You have also highlighted the connection changes need to be considered with other areas of reform. We would encourage that Ofgem considers how these objectives, outcomes and principles can be considered in your other workstreams such as network planning, especially the need to drive shorter connection lead-times.

The illustrative reform stages and options for consideration

We are supportive in principle of the Stage 1 and Stage 2 reforms and view that many of these will be low regret reforms. We are more concerned with options set out under Stage 3 and 4. Our first concern is that the current connection issues are significant and long-term, even if the Stage 1 and 2 reforms and expanded network investment are effective and sufficient, it is possible that it will take time for their impact to be fully felt. We view that any move to Stage 3 or 4 should only be done if it is well justified and there has been sufficient investment and expansion in the networks. We are also concerned that the connection regimes proposed under Stage 3 or 4 will not work for all customers and technology types. For example in the Holistic Network Designs, where offshore wind goes through a coordinated connections process as the UK's seabed leasing process more naturally enables grouping connections. We're not sure a similar process would work well for smaller, more distributed connections.

If you have any questions on our response, please feel free to contact me at Aled.Moses@shell.com or at 020 7934 3933.

Yours sincerely,

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