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Ofgem Open letter on future reform to the electricity connections process

About RenewableUK

RenewableUK's members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK welcomes the opportunity to respond to Ofgem's open letter on future reform to the electricity connections process, as well as the recognition from Ofgem that the current connections process is no longer fit for purpose and that change is necessary for the UK to meet its decarbonisation targets.

We agree with the challenges as set out in the open letter in Section 1. It is clear that the 'connect and manage' approach to the connections process is not capable of delivering a rapid connection of large numbers of renewable energy projects, consisting of a wide range of technologies. This has been recognised by National Grid ESO, who have been undergoing a connections reform process since last year. To date we have seen a number of actions taken by the ESO to try and tackle the issues on the connections queue:

- The **TEC Amnesty** allowed projects to leave the queue without having to pay the usual financial penalty to do so. This has facilitated the exit of ~8GW of capacity from the queue, but with the remaining capacity still sitting at over 300GW, the impact of this measure will be minimal.
- The **2-Step Connections Process** has provided customers with an initial offer, followed by a follow-up offer within 9 months of acceptance which will identify the associated transmission works, programme, charges, connection site, and any updated terms from the initial offer. This has given the ESO some breathing room to enact forward looking reforms to the system but does not affect the existing queue.
- **CMP376** has recently been passed to Ofgem for approval. This has introduced the concept of 'queue management' to the connections process, in which projects will

have to demonstrate they are progressing against a set of time limited gates to keep their place in the queue. This is a welcome additional tool for managing the connections queue and helping push out ‘zombie projects’ that are not progressing and taking up vital capacity, but again does not address the issue of the already very large number of projects with agreements already in place.

- **CMP330/374** on contestable works sets out changes to enable developers to build the required network to connect into the transmission system, up to 5km.

Ofgem’s role

We are pleased to see Ofgem’s commitment in the open letter to taking on a central role in reforming the connections process. We are supportive of the aims and guiding principles set out in Annex A and welcome Ofgem’s commitment to the connections process being an enabler rather than a barrier to decarbonisation.

Alongside government, Ofgem has an important role to play ensuring that the ESO and network companies have a strong regulatory and legal basis to carry out the necessary actions to reduce the connections queue. Specific to connections, we believe that **Ofgem and government must provide the network companies with a regulatory and legal basis with which to take retrospective actions against some projects with existing agreements.** As of now, almost all the actions brought forward to reform will affect new projects that are looking to join the queue but will not affect those already in it. The connections queue as it stands already has over 300GW of capacity waiting to connect, while NGESO estimate up to 70% of projects in the queue do not lead a grid connection in reality.

RenewableUK are ready to support Ofgem, government and NGESO in identifying and tackling the issue of ‘zombie projects’ in the connections queue. We understand that this will negatively effect some generation projects, but the system-wide benefits of initiating sensible, targeted retrospective action will benefit the entire industry. We are also happy to engage in the ongoing consultation and decision-making process taking place to work towards an enduring, long-term solution to connections that is suited to the new reality of a renewables-dominated system. We will continue to engage with the ESO as they consult on options for the future connections process, as well as working with government, Ofgem and other stakeholders to implement the recommendations from the report by the Electricity Network Commissioner, Nick Winser.

Beyond reform of the connections process, there are other areas that are relevant to Ofgem in which progress could be made that would significantly impact connections timelines:

- **Transmission Delivery** – speeding up transmission delivery solves the physical problems that lead to a long connections queue by adding more capacity to the system. Currently new transmission lines are taking 8-12 years to deliver, which is not fast enough to provide new network capacity in time. Ofgem’s ASTI programme has been a welcome change in approach and should be seen as the basis for a lasting regulatory process.



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- **Holistic Network Design (HND)** – the HND was supposed to identify and accelerate the delivery of a more coordinated offshore transmission network, and associated onshore works. Delivery of the HND and follow up exercise will also ensure that the UK meets its target of 50GW offshore wind by 2030, as well as taking a lot of capacity out of the queue and on to the grid. However, developers are still waiting for updated connection offers and in the HND Follow-up exercise Celtic Sea developers are still waiting to see initial designs, while progress in the ScotWind projects has been subject to delay. There is also a role for Ofgem and industry to help develop a framework for offshore coordination and Anticipatory Investment (AI).
- **Investment ahead of need** – the government's draft Strategy and Policy Statement (SPS) calls for the Future System Operator (FSO) to produce a Centralised Strategic Network Plan (CSNP) that will facilitate network investment delivered ahead of need. For this to work in practice, there must be clear indication from both government and Ofgem that this investment will not be disallowed at a later point. By having grid capacity ready ahead of time, renewable energy projects will be able to plug in immediately rather than having to wait for new infrastructure to be built in order to connect. While technically there is currently room within their licences for the TOs to deliver ahead of need, in practice the risk of cost disallowances means they are unable to work at risk. As such Ofgem should be clearer as to how they will facilitate investment ahead of need.
- **Ofgem remit reform** – RenewableUK have welcomed the upcoming change to Ofgem's remit to include net zero as part of the current Energy Bill. Ofgem should give thought as to how this additional area of focus can be used as a statutory enabler to deliver a decarbonised network, as well as a focus on system wide and longer-term benefits, beyond short term costs. A new approach to regulatory approvals, based on regulation for net zero, could positively contribute to all of the issues that cause long delays to connections.

We once again thank Ofgem for the opportunity to respond and look forward to engaging further to help solve this vital issue for the energy transition.

Yours Sincerely,

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