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Response to Open letter on future reform to the electricity connections process

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Uniper

Düsseldorf-based Uniper is an international energy company with activities in more than 40 countries. With around 7,000 employees, it makes an important contribution to security of supply in Europe. Uniper's core businesses are power generation in Europe, global energy trading, and a broad gas portfolio.

Uniper procures gas – including liquefied natural gas (LNG) – and other energy sources on global markets. The company owns and operates gas storage facilities with a capacity of more than 7 billion cubic meters. Uniper plans for its 22.5 GW of installed power-generating capacity in Europe to be carbon-neutral by 2035.

The company already ranks among Europe's largest operators of hydroelectric plants and intends to further expand solar and wind energy, which are essential for a more sustainable and autonomous future.

Uniper is a reliable partner for communities, municipal utilities, and industrial enterprises for planning and implementing innovative, lower-carbon solutions on their decarbonisation journey. Uniper is a hydrogen pioneer, is active worldwide along the entire hydrogen value chain, and is conducting projects to make hydrogen a mainstay of the energy supply.

In the UK, Uniper owns and operates a flexible generation portfolio of seven power stations and a fast-cycle gas storage facility.

Response to open letter

We agree there is significant doubt about the ability of the current electricity connections process to cope with the unprecedented queue of projects seeking connection to the electricity transmission and distribution networks. We therefore welcome the opportunity to respond to the open letter to provide views on this important issue.

Ofgem's assessment of the nature and priority of connections issues is by and large an accurate summary of the existing situation. In order to transition to a net zero system, action is needed to ensure that connections can be progressed more quickly and efficiently for the benefit of customers.



In order to achieve this, we agree that the immediate priority is for Ofgem to support the industry initiatives already underway to deliver near term improvements to the connections process, and then work to develop mid to longer term changes to the arrangements through the joint connections action plan with government in the summer.

Understandably, a significant focus of the work to date has been on the need to build new network and connections to support new low carbon assets, often in remote locations on the network. However, the connections process should also ensure that there are sufficient incentives to promote efficient reuse of existing connections and assets.

A number of more carbon intensive generators will in the future be seeking to repower their existing sites to support low carbon technologies and often this will result in the potential for significant capacity to be released for the use of other parties. Existing generators can assist not only by relinquishing part of their existing transmission access rights, but also by entering into land deals and providing access to spare bays in their possession. It must be preferable to be able to reuse existing connections where possible rather than building new ones and the arrangements should be sufficiently flexible so as to provide incentives for these parties to do so.

Present proposals seem to suggest that if a party wishes to modify an existing agreement, to close existing carbon intensive generation and replace it with a lower capacity of low carbon plant or a mixed use site of lower carbon and demand/batteries/hydrogen production, it will lose all of its existing access rights and have to queue for new capacity to support the new site use. This means that the generator's plans to decarbonise could be held up and they will be incentivised to maintain the capacity for their existing generation for longer, so that they can continue earning revenue until the new plans for the site can be put into effect. This will not only slow down the decarbonisation plans of the generator concerned, but also potentially the plans of other generators wishing to share the same connection assets.

Therefore, as a general principle arrangements should be suitably flexible to allow existing generators to work with transmission companies in order to coordinate the reuse of existing connections in an efficient manner, which results in beneficial solutions for the transmission companies, new connecting parties and the existing generator alike. This should result in more efficient and timely solutions to the benefit of consumers as a whole.

In respect of the specific stages of improvement raised in the letter for comment we have the following views:

Stage 1: Incremental improvements are underway within the current framework. We share concerns about the current queue and the potential for highly speculative applications to hold up more deliverable projects. We will continue to engage with the ESO and other stakeholders to work to ensure that any changes to arrangements free up capacity in an efficient and fair manner.

Stage 2: Agree it is important to improve the connections planning interface between transmission and distribution where practical.

Stage 3: Controlled access – Auction and/or trading of access on an integrated network is something which has been previously explored and is extremely challenging to achieve in practice. Assessing competing bids in different locations on the network in



order to optimise an auction, to maximise the use of capacity in an efficient manner and provide signals for new connections is an incredibly difficult problem to solve. There are also significant issues relating to the use of auction revenues. If they are not sufficient to meet network spend then a top up is needed from network users and if too much is collected it needs to be refunded in some manner. It is possible for these revenue flows to fluctuate significantly from positive to negative year on year, which can create significant volatility in network charges.

Stage 4: Planned & coordinated connections – some anticipatory investment is to be welcomed. However, care is needed to ensure that this does not result in picking winners, in terms of favouring particular connecting parties, technologies or geographical areas. The market should wherever possible determine the efficient mix of participants, not central decisions taken by network companies, Ofgem and/or government to promote specific areas through the build of additional network assets.

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