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Zenobe Response to Ofgem Open Letter on Connections Reform

We are approaching this open letter from the perspective of a battery storage operator with c. 450MW of contracted assets in operation or construction, with a further c. 1.4GW of contracted future projects in development out to 2031. While have secured investment, planning and contracts in line with our contracted connection dates, our projects, and future growth plans, are facing significant barriers resulting from grid connection delays.

We therefore welcome Ofgem's letter on future reform to the electricity connections process. The current 'Connect and Manage' regime is highly reactive, and it is unfit for purpose in the context of net zero. Offered connection dates beyond 2030 and delays in delivery of TO works for already contracted connections are holding back projects that would reduce consumer costs and drive down the carbon intensity of the GB power system.

We agree with Ofgem that work to reform connections should focus on three key factors:

- Strategic network investment
- Efficient and flexible network investment
- A fit for future connections process

We also think Ofgem should introduce new measures to incentivise networks to deliver connections and wider strategic reinforcements on time and to cost.

Strategic Network Investment

We agree that Network companies should be incentivised to build in anticipation of investment need. We therefore welcome the Accelerated Strategic Transmission Investment (ASTI) framework.

Efficient and Flexible Network Management

We agree with Ofgem that it is essential to use all flexible network capacity as effectively as possible, and we support ongoing work to unlock greater value from flexibility on the distribution system. However, we emphasise that at the transmission level, more work must be done to accelerate the connection of flexible assets, and to improve the system utility of the market signals to which flexible assets respond.

Transmission-connected energy storage assets can deliver significant consumer and carbon savings. With the right market and contractual structures in place, they can enable ESO to use existing network capacity more cost-efficiently and less carbon-intensively.

In order to deliver such system services, energy storage assets must first connect to the system. Connections reform is thus an integral to the development of a flexible energy system. We discuss ways to ensure the connections process supports flexibility below, under 'A fit for the future connections process'.

To improve system operability, energy storage assets must receive the right incentives. We are actively engaging with the ESO to develop new markets and services that would fully exploit the benefits of energy storage. We welcome Ofgem's proposal to create a market facilitator for distribution-level flexibility, and we think there is scope for a more formalised process to facilitate new flexibility products at the transmission level.

A Fit for Future Connections Process

We agree with Ofgem that to address bottlenecks in connections queues, there is a need for substantial reform across the connections process.

We think that to achieve this, it will be necessary to revisit the underlying principles of queue management. A first-come-first-served process is unfit for purpose in the context of the need for rapid construction of new energy infrastructure to mitigate the climate crisis and drive down bills.

We are glad that Ofgem are actively considering options to deprioritise projects that are not making progress. We think that Ofgem should organise queue management according to the following criteria:

- Projects have planning permission.
- Projects can demonstrate that they have secured necessary investment.
- Projects can demonstrate that they will improve system operability and reduce consumer costs. This could involve evaluating projects on the basis of their contractual obligations (e.g., stability contracts).

Ofgem should ensure that the recent CMP376 Queue Management proposals deliver a robust framework for ESO to remove projects that are not progressing.
We agree that Ofgem should set an objective for network owners to both offer earlier connection dates and to deliver these on time or earlier. We think that Ofgem should emphasise that they commit to achieving certain improvements by a specific date (e.g., 2025).

We agree with the proposed reform outcomes:

- Transparent data giving applicants advance insight into grid capacity across the system.
- Connection applications that enable well-progressed projects to proceed.
- Reforms result in swift improvements.
- Greater coordination and consistency across system boundaries.

We agree with the proposed guiding principles:

- Benefits for current and future consumers.
- Acceleration of net zero.
- Impacts of reforms seen by 2025.
- Support improved network coordination.
- Resilient to potential market reforms.

Incentivising Networks to Deliver On Time and To Cost

We think that in the context of the fossil gas price crisis and net zero, there is a need for a more robust process to ensure that network companies deliver strategic investments and individual connection projects on time and to cost.

Network companies have a license obligation to work economically and efficiently. Grid connection delays to certain projects result in increased consumer costs. Network companies should therefore face penalties that reflect these costs if they fail to deliver projects.