

13th June 2023

Dear Ofgem,

## Open Letter Response: Future Reform to the Electricity Connections Process

### Overview and Executive Summary

Eclipse Power Limited welcomes this opportunity to comment upon the proposals in Ofgem's "Open letter on future reform to the electricity connections process", published on 16 May 2023. We too agree that there is a pressing need for a big increase in new connections, particularly for renewables and storage, to support the drive to net zero. We share Ofgem's concerns, and those of the wider electricity industry, that with that growing volume of connections, the present systems and processes need to be reformed to deliver timely connections. We also share the view that action needs to be taken now to deliver national targets for 2035 and 2050.

Our support comes with a request that sufficient focus is given wherever possible within all these big initiatives, to quicker, simpler, and less high-profile changes that could be made with the minimum of disruption and reform. We therefore also add a proposal.

Our successful Independent Distribution Network Operator business, coupled with specialist skills and experience drawn from our ex-Distribution and Transmission staff, lead us to believe that the agile iDNO model can work at Transmission level too. This belief, triggered by the need to develop options for a customer to connect at Carrington 400kV substation, was behind our recent application to become an Independent Transmission Operator (ITO). We believe that the proposal is consistent with Ofgem's objectives and principles as outlined in the open letter.

We are asking therefore that the ITO concept be considered and adopted as soon as possible, as part of the drive to help deliver net zero electricity connections more quickly.

### Independent Transmission Operator Proposal

Eclipse Power believes that the same rationale that initiated the creation of iDNOs in 2004, can also be applied at Transmission level, by creating the option of grid connection via ITO. We believe that the iDNO-type benefits at a local level, including asset adoption, flexible design and charging options, and speed of connection, could be realised for Transmission too.

We consider that ITOs should not materially interfere with Ofgem's Competitively Appointed Transmission Owner (CATO) proposals, which are typically characterised by higher value investment requirements (£100m+), and with actual network build and operation, as opposed to local substation-based connection solutions.

Using the precedence of iDNO's, and the Transmission Licence granted to Mersey Reactive Power, we believe that the creation of ITOs should be possible very quickly and without the need for major changes to Ofgem codes. The concept is consistent with several of the points made in the recent cluster of multi-point plans for speeding up connections, from various industry sources, which we have highlighted in a separate letter to you on 12 June 2023.

As shown in our recent application for a Transmission Licence, and its supporting material, we have a customer ready to connect battery storage from October 2025 onwards at Carrington 400kV substation. This customer, and others with a combined total of **more than 25 GW** of mixed technologies (renewables, solar, battery storage and hydrolysis), are requesting an ITO option for their projects. These customers are fully funded, and at various stages

Electricity Connections. Simplified.

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relating to planning and land security. They see an ITO route as a means of reducing project delivery risk arising from the high volumes of work currently being handled by ESO/TOs/DNOs, as well as mitigating certain Capex/Opex sensitivities for their projects.

### Independent Transmission Operator Benefits

The introduction of ITOs should bring advantages by extending the licensed Transmission network to include Transmission Connection assets, which would normally be privately owned. The ITO methodology, taking experience from the iDNOs, can add flexibility, and cost benefits in these ways:

1. Multiple customers sharing the same connection assets, at a lower cost, albeit at reduced levels of security.
2. The possibility of connecting using ITOs, but at Distribution level voltages, with, or without an iDNO.
3. By obviating the need to include high-cost, high voltage, transmission connection plant (especially Super Grid Transformers) in a project's Capex budget, the viability of many smaller projects will be increased.
4. Significant capex subsidies and value engineering on industry standards, providing further capex and opex reductions.
5. Lower operating costs compared to the incumbent TOs.
6. Flexible charging arrangements will make the ongoing Opex costs less of a burden, by tailoring the arrangements to better suit the customer.
7. The potential to alleviate space constraints in Transmission Owner substations, by extending the Transmission network beyond the current boundaries.
8. Improved T&D interaction using the agility and flexibility of ITOs and iDNOs working together, whilst providing a tight customer focus. As there is no Project Progression process for iDNOs, there would perhaps be a need to use Modification Applications, which might be perceived as discriminatory by other parties.

### Alignment with Ofgem's Connections Reform proposals

The ITO proposal aligns with Ofgem's **main objective** in the open letter, to see electricity connections offers with:

1. **Shorter average connection dates...**  
As shown with iDNOs, connections can be achieved more quickly at local levels by using innovative and flexible options to connect customers.
2. **...which better meet customers' needs...**  
By providing alternative methods, such as asset adoption, independent operators can reduce project delivery risk, and reduce up-front costs to connectees, which in turn helps bring down the cost impact to all customers.
3. **... and enable a timely transition to net zero**  
Most projects (over 85%)<sup>1</sup> held up in the national connections queue are for renewable energy and storage, which will help achieve net zero. As noted previously, Eclipse Power's customers have a potential pipeline of more than 25GW of such projects, and possibility much more.

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<sup>1</sup> TEC Register - 30/05/2023

The ITO route offers improvements in the **Short-term action (2023)** window, aligning with the ESO's 5-point plan.

We believe that the ITO route meets the requirement for at least one of the four **reform outcomes** in Annex A, i.e. **that reforms deliver improvements swiftly, enabling shorter average connection dates to be offered to customers.**

Ofgem requires that reforms conform to the **overarching principles** in Annex A, Table 1:

- Reforms deliver benefits to current and future consumers**  
The potential ITO option of asset adoption allows projects that might have struggled to raise additional capital, to go ahead earlier. Lower charges over the projects' lives benefit current and future consumers.
- Reforms accelerate progress towards net zero**  
The current pipeline of customers seeking an ITO option are all either for renewable energy, or storage projects. The ITO route is particularly attractive for smaller, localised projects, with a focus on net zero.
- Reforms begin to deliver as soon as possible, with impacts seen by 2025**  
For the Eclipse ITO example, we have a customer who is ready to start work now, for project energisation in 2025. We believe that the ITO proposal implementation could happen very quickly and start delivering new connections in 2023.
- Reforms support improved coordination across the onshore and offshore networks on the transmission and distribution grids**  
No direct impact.
- Connections reforms are resilient to wider reforms**  
From our iDNO experience at Distribution level, we believe that ITOs could offer a long-term, future-proofed route for some categories of connections and customers at Transmission level too. The ITO proposal should neither prevent nor restrict the outcomes and objectives in Ofgem's open letter.

## Conclusion

Eclipse Power is pleased to be able to take this opportunity to assert its support for Ofgem's proposals, and additionally to offer the ITO proposal as a contribution to help deliver new connection benefits, potentially from 2023 onwards.

Kind regards,

A handwritten signature in black ink, appearing to read 'Sarah Owen'.

**Sarah Owen**

Director of Regulation, Risk & Compliance  
Eclipse Power