

FAO: Akshay Kaul

By email: connections@ofgem.gov.uk

16 June 2023

Dear Akshay,

Open letter on future reform to the electricity connections process

Transmission Investment, as one of the UK's leading independent transmission companies, manages one of the largest offshore electricity transmission portfolios. We are a strong advocate of introducing competition into the delivery of transmission and we continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations such as these and providing evidence to Parliament.

Commentators are of the view, and evidence is mounting, that what we have is not fit for the energy transition. The incumbent monopoly businesses have been in the spotlight, whether in the Financial Times¹ or BBC² for reportedly holding back economic growth due to connection delays, poor response to storms, or questionable approaches to asset management decisions³. It is broadly accepted that by introducing competition, quality will go up and prices down.

We welcome the opportunity to provide our views on the connection reforms. The issue of connection queues is not a new one and has emerged again due to long-term underinvestment in the nations' infrastructure, it is unrealistic to expect that reform of processes and policy can provide anything more than marginal gains for connections.

The nature and priority of connections issues

The nature of the connection issue is that the network companies failed to grasp a unique opportunity to step up for the consumer. The network monopolies were given decades to address the issue of connection queues following the Transmission Access Review. That review was established in response to a long connection queue, in the early 2000's, and led to the introduction of Connect and Manage. This allowed faster connection for renewables and provided a unique opportunity for the network companies to invest to create the nation's future infrastructure.

The lack of vision to build sufficient pace in the delivery of network infrastructure is the barrier that continues to grow, year-by-year⁴, leading to wasted money and higher costs to deliver net zero.

¹ <https://www.ft.com/content/519f701f-6a05-4cf4-bc46-22cf10c7c2c0>

² <https://www.bbc.co.uk/news/science-environment-65500339>

³ [Dinorwig-Pentir FNC](#)

⁴ <https://www.current-news.co.uk/news/current-price-watch-wind-curtailment-reaches-record-highs-as-national-grid-eso-issues->

Priority areas of focus for Ofgem

While there may be marginal gains through better information e.g. about network utilisation and progress of projects to manage stalled projects out of the queue, the fundamental focus should be on how to deliver more infrastructure more quickly. Expanding the supply side for strategic network infrastructure should therefore be Ofgem's focus, in particular by establishing, as soon as practicable, Early and Late onshore competition processes. This will bring new organisations into the delivery of infrastructure that can invigorate the GB supply chain for our network infrastructure and bring long-term benefits for consumers. The ability of the existing transmission owners to exert monopsony power on the supply chain is well understood⁵ and their historic control over the project pipeline would appear to have created a rigid supplier base that is less able to respond to signals for a rapid growth in projects.

National Grid's recent report⁶ "Delivering for 2035" also highlights that introducing competition is a key action and acknowledges that competition will be effective in driving down costs and improving innovation, beyond the level that regulation has, or can.

With the Energy Bill legislation moving towards Royal Assent, the connections review should support the unlocking of the possibilities of competition to broaden the market for delivering our network infrastructure. It seems appropriate to bring new parties in as the need for infrastructure continues to increase in volume, innovation is required to address challenging changes in the system, and to lower the costs of new infrastructure.

We would highlight that it is the fundamental underinvestment in the nations' infrastructure, since the Transmission Access Review, remains the key issue to resolve and while the reform of connections may provide marginal gains, it remains the case that without building the capacity the delays for connection will remain.

Proposed objective, outcomes and guiding principles

We support the proposed objective and the broad intent of the outcomes. The detail of the changes to the way the queue is managed in the short-term will be important. Any process must be fully transparent, with an assessment that is objective, evidence based and project specific, with an effective appeals process that is adequately resourced within Ofgem to avoid extended delays in determinations on connections – projects cannot be waiting years for such processes to complete. Absent that, blind termination of agreements against missed milestones could have material unintended consequences on projects. Termination could result in delay of many years (as they go to the back of the queue), driven by external factors beyond a project's control (e.g. regulatory decisions), while the actual delay may be less, ultimately delaying consumer benefits. These issues could be much more simply solved by enabling others to deliver onshore network projects.

We note a potential omission from the second guiding principle: "Reforms accelerate progress towards net zero", which within the description states "Reforms should also facilitate maintaining a secure, resilient net zero system, via timely connection of generation and storage capacity". This principle does not acknowledge the critical role of interconnection in supporting the net zero system and should be added. Noting, currently, interconnectors are also disadvantaged compared to many other types of projects as they are not subject to

[winter-warning](#)

⁵ https://www.ofgem.gov.uk/sites/default/files/docs/ng_response_appendix_2_frontier_economics_rpt-cato_cba-08_01_16_-_final.pdf (page 46)

⁶ <https://www.nationalgrid.com/document/149496/download>

“Connect and Manage” offers. This is despite interconnection being a key tool in the ‘manage’ part (of Connect and Manage) as they assist system balancing, which enables greater renewables onto the system. As part of this connections reform, we would strongly encourage Ofgem to review and promote Code changes to the arrangements for interconnectors to better enable these critical investments for net zero, including reflecting on the current arbitrary differences in arrangements for the default connection boundary definitions i.e. between CUSC section 2.12 and section 9.15.

The illustrative reform stages and options for consideration

The proposed reform stages appear to follow a thread of throttling the demand for network capacity, ultimately moving to an approach that sees a central planner determining winning regions, projects or technologies for connection.

This appears to move from a principle that the regulated infrastructure is an enabler of entrepreneurial ideas and economic prosperity to one where limited capacity defines what is possible.

These reforms should be considered alongside a heavy scrutiny of how the necessary infrastructure can be enabled, e.g. by expanding the organisations able to deliver it or reforms of planning. Unless citizens are unwilling to accept the infrastructure that is needed, the other reforms would appear to be predicated on network infrastructure continuing to be a limiting factor, rather than an enabler to be built in response to a whole system need.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Mark', with a long, sweeping horizontal line extending to the right.

Mark Fitch
Corporate Development Director