
Summary of responses to the Open Letter on future reform to the electricity connections process

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Overview and context

This document provides a high-level summary of the stakeholder responses we received to our [Open Letter on connections reform](#) (the 'Open Letter'), published in May 2023. It also covers how this consultation has informed actions taken to date or to be taken in future, in line with the [Connections Action Plan](#) (the 'CAP'), published in November 2023.

Summary

We received 77 responses from across industry to our Open Letter. These were from: DNOs, IDNOs, renewable energy developers, local authorities, EV companies, digital services companies, storage developers, investors, consultancy firms, generators, and trade associations. The majority of responses broadly supported our call for change, objectives, outcomes and principles

Stakeholders were aligned on which actions should be taken moving forward and where it is considered that there is a need to go further. We reflected stakeholder views in the CAP which subsequently informs next steps implemented through the Connections Delivery Board (the 'CDB').

Page references made in this document correspond to the page numbers of our Open Letter, unless otherwise stated.

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Key themes and responses

Below we summarise views from stakeholders against the four topics we highlighted to stakeholders in the Open Letter:

- The nature and priority of connections issues (Section 1 – *The challenge*)
- Priority areas of focus for Ofgem (Section 4 – *What you can expect from us*)
- Our proposed objective, outcomes and guiding principles (Annex A); and,
- The illustrative reform stages and options for consideration (Annex B).

The nature and priority of connections issues

What were respondents' views on 'The challenge'? (section 1, pages 4-6)

Nearly all respondents agreed with the challenge that we set out in the Open Letter, particularly: the issues that connect and manage has created; the challenges that a first-come, first-served system brings; and the lack of current network capacity. Some respondents highlighted other issues that they identified as clear challenges, such as the transmission / distribution interface. They noted the delays present in the processes and interactions there, and the way that connection charges and securities are currently calculated and allocated.

Were respondents supportive of the need for change?

All respondents, but one, were supportive of the need for change. One respondent disagreed that the issue was material enough to merit wholesale reform and voiced concerns over how this could impact investor confidence.

Priority areas of focus for Ofgem

What were respondents' views on 'What you can expect from us' (section 4, pages 11-13)?

The majority of respondents were pleased with the role that we outlined. There was broad support for our plan to both support and simultaneously push industry further in reforms. This was especially the case in pushing industry to better coordinate across the transmission / distribution boundary. Some respondents suggested Ofgem should focus

on other areas as well, such as driving code and incentive change more quickly than has historically been the case in order to ensure timely changes are made and give more attention to planning issues and reforms to address those.

Were respondents supportive of Queue Optimisation, ie prioritisation of projects that are progressing as planned, have met their progression milestones and are ready to connect to the distribution network (more information in Annex D, page 23)?

The majority of respondents that commented on prioritisation of connections agreed that some form of prioritisation was needed. Respondents suggested connections could be prioritised for: storage projects, those who are ready to connect, those who provide a system or net zero benefit, or those who have already had their connection dates delayed. Those who were unsupportive expressed concerns around the impact prioritisation could have on longer-term and more complex projects (such as wind farms and other large generation projects), particularly if these projects come across planning delays or other issues out of their control. Respondents were keen that any form of queue prioritisation did not result in unfair unfavourable outcomes for these project types.

What were respondents' views on applying reforms to the existing queue as well as new applicants?

Out of those who commented on the issue, all respondents agreed with applying connection reforms to the entire queue. This view was shared predominantly to rid the current queue of stalled projects (regarding queue management) and the fact that if reforms were only to be applied to new applicants, it would take many years to fully realise the benefits, leaving the issues with the existing queue unaddressed.

Our proposed objective, outcomes and guiding principles

What were respondents' views on our 'Proposed objective, outcomes, and guiding principles for reform' (Annex A, pages 14-15)?

Most respondents agreed with the proposed objectives, outcomes, and guiding principles. Stakeholders supported all four proposed outcomes:

- Transparent, consistent data giving applicants advance, granular insight into expected grid capacity and level of network investment needed;

- More robust connection applications, enabling well-progressed projects to proceed;
- Reforms deliver improvements swiftly, enabling shorter average connection dates to be offered to customers; and
- Greater coordination and consistency across system boundaries, supporting more consistent outcomes and efficient and coordinated approaches.

Other notable comments from respondents included the need for both consumer interests and net zero to be equal priorities, and that the connections process should produce predictable (and resultingly increasingly investible) outcomes for project developers.

The illustrative reform stages¹ and options for consideration

What were respondents' views on the 'Illustrative stages of reform' (Annex B, pages 16-20)?

Those respondents who commented on the four stages of reform presented a variety of mixed opinions. Some considered that only stages 1 and 2 were needed, but some believed that reforms need to go as far as is depicted in stage 4. Many respondents considered stages 1 and 2 were the essential level needed to lay the foundation for connections reform.

A minority of respondents supported stage 3, and multiple respondents expressed concern over stage 3 and the impact that this could have on investor confidence. This was related to concerns over the auctions and trading mechanisms that could potentially feature in a controlled access system, and concern that controlled access would not work for all technology types. Respondents noted that they would need much more detail and engagement to decide whether stage 3 is suitable.

Some respondents supported stage 4, due to the benefits that could come from a substantially planned and coordinated network but noted that stage 4 would need further detail, analysis and engagement with industry.

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Stage 1 – Incremental improvements within current framework roles & responsibilities

Stage 2 – Improving Transmission / Distribution Interface

Stage 3 – Controlled access to 'queue' with reformed application process, roles and responsibilities

Stage 4 – Fully planned system with new connections to grid tightly controlled

How stakeholder views informed the Connections Action Plan (CAP)

The following section outlines the stakeholder responses received to our Open Letter, mapped across to each of the relevant corresponding CAP chapters. We will continue to review these stakeholder responses in overseeing the implementation of reforms under each of the areas, to ensure that these views are being fully considered and addressed.

1. Raise entry requirements and remove stalled projects (CAP chapters 3.1 and 3.2)

Stakeholder responses to Open Letter and subsequent actions

One of the outcomes proposed in the Open Letter was for more robust connection applications and this was strongly supported by respondents. Respondents noted that raising the barriers for entry would reduce the number of speculative applications in the queue (making room for viable ones) and raised considerations including validating capacity feasibility and size against red line boundary, and ensuring land rights are retained through an enduring obligation (eg periodic checks). These stakeholder views led to the development of the 'Letter of Authority' proposal for transmission.

Respondents also raised a variety of suggestions around further raising entry requirements, such as through not allowing projects to change technology without submitting a new application, or higher upfront costs for applications. Responses particularly mentioned concerns on the uncertainty of auctions as a mechanism to raise entry requirements. This is welcome feedback that led to the inclusion of CAP action, 'identify, assess and bring forward proposals to strengthen entry requirements'.

A number of respondents to the Open Letter made comments relating to removing stalled projects, indicating support for reforms to address the existing queue as well as any future joiners, while noting the need to consider investor certainty and impacts. There was broad support for introducing termination of stalled projects under queue management. Respondents raised the need to consider a level playing field for technologies, while recognising differences in development lead times. These stakeholder views informed CAP actions: 'implement queue management process CMP376'; 'monitor application of queue management at distribution'; and 'bring forward recommendations to improve certainty and progression of customers holding capacity'.

We set out our rationale for our approval of CMP376, referring back to stakeholder views in our [November decision](#). This decision was taken in line with the broad support seen in the responses to our Open Letter, to apply reforms to existing customers as well as future ones.

2. Better utilise existing network capacity and better allocate available network capacity (*CAP chapters 3.3 and 3.4*)

Stakeholder responses to Open Letter and subsequent actions

There wasn't a significant volume of stakeholder responses on best utilising existing capacity. The use of non-firm agreements was an area that was generally supported through responses to the Open Letter, but several respondents noted the need for more detailed information about curtailment risk and minimum running times. Given we do want to see further ambition in the area of better utilising existing network capacity, our CAP actions broadly asked for further proposals on how to optimise existing network capacity including CPA improvements and reviewing the scope of enabling works.

Capacity allocation was a common theme among the majority of responses.

Stakeholders provided numerous, differing views and a wide range of solutions without aligning on any particular outcome. Differing views were also expressed with respect to who should be the party responsible for driving change. A number of respondents showed broad support for readiness-based approaches aligned with system needs and net zero objectives.

This is all welcome feedback that shaped the two actions included in the CAP relating to short- and long-term capacity allocation, recognising the need to move to approaches considering project readiness, compatibility with non-discrimination and alignment with strategic planning.

3. Improve data (*CAP chapter 3.5*)

Stakeholder responses to Open Letter and subsequent actions

Responses noted the need for more standardised, transparent and granular data to be provided by networks to customers, to enable them to better understand the capacity of

the network and potential constraints in specific locations to help them identify suitable connection locations.

Stakeholders identified a need for greater consistency, coordination and standardisation in data sharing. It was considered that this is an area where further work is still required, including a suggestion for a single electricity system model, 'owned' by a single entity. One respondent suggested that all DNOs should have their own digital connection portals; though most of the stakeholders agreed with having a single coordinated view for all distribution and transmission data.

From an operational perspective, there were calls for greater transparency and more real-time data monitoring. In this regard, the increased network monitoring and data provision being delivered through the electricity distribution price control (RIIO-ED2) was welcomed and considered essential. Respondents also noted the need for the further development of digital energy system infrastructure as an enabler of effective price signals, flexibility, active network management, smart networks and aggregation.

The need for greater transparency on data related to the nature and timing of future planned network reinforcements was considered important.

These stakeholder views informed CAP action 'to realise a single digital view of network data for connection customers, with the aim for more transparent and accessible pre-application data'.

4. Improve processes (*CAP chapter 3.5*)

Stakeholder responses to Open Letter and subsequent actions

Stakeholders raised specific process issues in response to the Open Letter:

- DNO inconsistent pass through of Transmission costs - considering interaction with customer offer acceptance timeframes and potential for cascading cancellations due to impacts on other customers' liabilities
- improved collaboration and communication across system boundaries, including understanding and planning for the impacts and requirements of connections across Transmission / Distribution boundaries
- support for CMP298 and technical limits, and beyond that a need for suitable processes for DNOs to secure transmission capacity

- introduce standards for processing Transmission Impact Assessments and Distribution Impact Assessments in codes
- consider treatment of storage and cost apportionment at Super Grid Transformers.

Significance of Transmission / Distribution interface was also noted. Stakeholders called for the need to ensure proportionality for smaller projects, as well as the lengthy, complex transmission processes and appropriate consideration of particular needs at distribution. Other key areas raised by stakeholders included:

- third party works process inconsistencies and approach raising challenges for developers
- communication channels
- the extent to which distribution connected demand customers securities are a barrier.

Wider and longer-term issues raised included:

- aligning depth of connection boundary at transmission with recent changes at distribution
- a suggestion ESO should make better use of small flexible assets
- lack of consistency relating to post-acceptance timescales
- inconsistent treatment of behind the meter storage.

These stakeholder views informed CAP actions: 'to broadly identify and resolve process inconsistencies'; 'to improve processes at the transmission/distribution interface'; and 'to offer flexible connections and manage distributed generation and demand within 'technical limits' across all GSPs'.

5. Sharpen obligations and incentives (*CAP chapter 3.5*)

Stakeholder responses to Open Letter and subsequent actions

Several respondents raised concerns about the ESO's and network companies' resourcing and their ability to manage the large numbers of applications being received. Some respondents suggested that Ofgem should review price control incentives and obligations and felt that Ofgem should be monitoring the performance of companies more carefully in this area, to be more active in holding companies to account where poor performance is identified.

The role of the ESO and future role of the FSO was another area where concerns around capacity and capability were noted.

These points have fed into the development of the CAP action for 'Ofgem to undertake an end-to-end review of incentives and obligations on network companies and the ESO, relating to connections'.

6. Develop longer-term connection process models aligned with strategic planning and market reform (*CAP chapter 3.6*)

Stakeholder responses to Open Letter and subsequent actions

In the Open Letter, we outlined a shape of longer-term reform in stages 3 and 4 (controlled access to 'queue' with reformed application process, roles and responsibilities; and a fully planned system with new connections to grid tightly controlled, respectively) of the illustrative stages of reform in Annex A. In response to this some stakeholders highlighted concerns around the uncertainty and acknowledged the importance of having a more planned and coordinated approach with controlled access and prioritisation.

Informed by these stakeholder views, the CAP sets out actions to ensure the connections process is: well-integrated with wider arrangements for strategic planning, joined up with the Transmission Acceleration Action Plan; and coordinated with future market reforms being considered under Review of Electricity Market Arrangements (REMA).

7. Delivering the benefits (*CAP Chapter 5*)

Stakeholder responses to Open Letter and subsequent actions

Responses to the Open Letter highlighted concerns related to the lengthy code modification process. These concerns and how they relate to the code modifications required for connections reform are intended to be addressed via the establishment of the delivery governance as outlined in the CAP. The Connections Delivery Board (CDB) is established to oversee the reform implementation process and the Connections Process Advisory Group (CPAG) is established to identify areas of code for change and raise quality proposals to ensure a coordinated change across Transmission and Distribution.

In response to the Open Letter, stakeholders asked for transparency on the impact of the reforms. This informed how the CAP (1) establishes the CDB to “comprise organisations and representatives responsible for or affected by delivery of in-scope changes to regulatory, legal, industry and commercial frameworks for connections and will be chaired by Ofgem, working with government” (CAP, page 84) and (2) notes the need for transparent CDB updates and open engagement with wider stakeholders, committing the CDB to shortly announce this wider communication plan.