

Thank you for the opportunity to respond to your letter dated 19 April 2024. I write as a consultant who has worked extensively on the development of new power projects in Great Britain since privatisation. My work has included supporting many different technologies, taking projects from first concept through commercialisation, financing, construction and operation. In the last 15 years I have increasingly been involved in securing project grid connections and supporting progress through to energisation.

Whilst there is clearly wide support for improvements in the connection process I would like to add a note of caution to implementation of new arrangements at a pace which is unprecedented for any similar change to the codes and operating procedures that underlie power project development and operation.

Securing grid connections have been a cornerstone of the development process to date, allowing developers to expend considerable sums on the permitting and wider commercialisation activities leading up to financial close and commencement of construction. Whilst obtaining a "Completion Date" for the connection is by no means a guarantee of energisation at the time offered, current policies allow acceptance of a firm offer to establish a project's queue position which was critical for developers seeking investor support going forward. It can also establish priority for access operationally eg where connecting ahead of reinforcement, later projects are constrained off before earlier ones. If entry into the formal queue is to be delayed until Gate 2, it will be essential to bring forward the other policies needed to improve deliverability of Completion as and when needed. Your commitment to this is therefore welcomed. Further comments on the specific items to which you sought responses are below:

*1. Our position (including reference to Annex A)*

- Regarding CAP 3.1 and 3.2, I am rather alarmed by the suggestion of financial instruments at Gate 1 and Gate 2 (to encourage only viable projects to enter and remain in the connections process). Depending on how these are structured, fees or security requirements could significantly harm independent developers who may find it difficult to obtain, at an early stage, well capitalised investors and/or the requisite "credit rating", thus favouring "incumbent" firms over smaller and innovative parties who can often drive forward new projects. The ability to mobilise such capital is not necessarily correlated with the eventual viability of a project. Indeed, it should be noted that all projects are to some extent "speculative" at the early stage, and it is only through development expenditure that viability is established. Funding additional "fees" or "holding charges" would make this work more costly and could stymie otherwise potentially strong projects (high "final sums" liabilities and other excessive security requirements are already having this effect on some projects). I am also concerned with the suggestion that these fees and charges could move away from payments or security to cover costs or liabilities.

*2. Our view of next steps (including reference to Annex B)*

- The clearest omission from this list is a consideration of the **costs** associated with this proposal, which, alongside risks (which I accept could be the risk of costs) needs to set against benefits in any impact assessment.
- As for consultation with network companies (point 4), I believe that to date there has been limited, if any, discussions with IDNOs, who may not be well represented at the ENA. IDNOs are interested both in relation to their networks embedded in DNO networks, as well as the increasing number seeking or holding direct connections to the transmission system (as recognised in Ofgem's recent open letter consultation on this matter). It is thus essential that their voice is heard throughout the process.

*3. Whether this proposal goes far enough:*

*a. Are there any other proposals you would like to see brought forward as part of, or alongside, this reform to achieve the aim of significantly reduced connection timescales?*

- I would like to see an assessment of the contractual terms offered for connection and how these can be improved to give Users who have met Gate 2 greater assurance of a Completion Date. This starts with the terms offered by Transmission Owners to ESO, which are then reflected in ESO offers to Users. Under the STC and CUSC, “indicative” standard terms are set out which among other things allows changes to the programme and Completion Dates. In the standard terms, the grounds for such variations are quite narrow (for example, problems with planning or Force Majeure). However, increasingly over the years more and more flexibility is sought by TOs and/or ESO including patently unreasonable clauses (such as a list of “assumptions” which could be added to at any time), expanding the scope of other clauses (such as “2.11”) and clauses which are duplicated. Offers from certain areas of GB are particularly problematic and even sometimes include clauses which have been ruled as inappropriate in earlier Determinations made by Ofgem. Given the pressures to sign agreements (and thus secure a place in the “queue”) there is limited or no time to discuss such matters and Users have little enthusiasm (or time) to seek Determinations. Such terms then become *defacto* “standards” which are even harder to challenge.
- At a more general level there also needs to be improvements in the coordination of development as between Users and Transmission Owners. New substation locations for example need to be determined at an early stage if Users are to prepare planning applications that reflect connection points and/or cable or overhead line routes.

Regards,



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