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Jonathan Brearley  
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Ofgem  
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6 February 2025

Dear Jonathan,

I welcome the opportunity to respond to the consultation on the proposed changes to the regulatory framework surrounding electricity grid connections as part of Ofgem's connections end-to-end review, as well as the connections incentives for the RIIO T3 price control. I have set out the Scottish Government's views below.

The Scottish Government is focused on delivering a just transition to net zero by 2045. We strongly support action to reform the connections process to ensure Scottish projects can connect to the grid when they are ready to do so, supporting our drive to net zero by facilitating decarbonisation of our industry, homes, and transport.

The Scottish Government is committed to working closely with Ofgem and the UK Government on our shared ambitions. Our objective is to ensure the transition to clean power brings significant benefits to Scotland – such as boosting economic growth, supply chain opportunities and green jobs; delivering renewable energy with tangible benefits to communities; and reducing costs for consumers. It is critical that the decarbonisation of the power system supports the Scottish Government's efforts for a just transition to net zero – maintaining investor and industry confidence alongside clear benefits for consumers and communities.

To deliver on our collective ambitions, reform to the connections process as well as a robust regulatory framework is critical, alongside significant investment and a strategic approach to electricity networks to ensure they do not become a barrier to progress.

This is particularly important in the context of Scotland's critical contribution to the UK's total renewable energy generation and storage needs - Scotland is set to play a pivotal role in providing the required volume of clean energy generation (particularly via onshore and offshore wind), and storage (through the deployment of critical long duration electricity storage projects) to meet the UK's net zero and 2030 clean power goals.

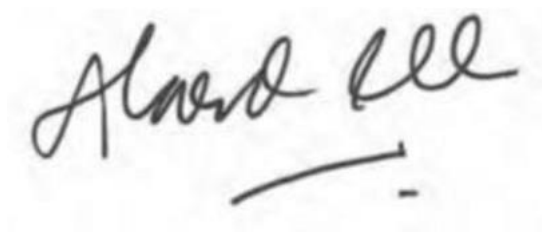
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Once connection reform is fully implemented, it is crucial that the subsequent contracted grid connection dates are delivered on time, ensuring any further uncertainty and risk is minimised and developers have the confidence to move forward with their projects.

In applying this framework, it is important that Ofgem recognises the Scottish Government's ambitions and statutory targets (including on climate change and fuel poverty). In line with this I have provided a more detailed response as an annex to this letter.

We are keen to continue to work closely with Ofgem, UK Government, NESO, the networks companies and all relevant stakeholders, and my officials will be happy to pick up on any of the points raised in the annex with your teams.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alasdair Allan', with a horizontal line underneath.

**Alasdair Allan**

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# **ANNEX A – FEEDBACK ON OFGEM’S CONNECTIONS END-TO-END REVIEW OF THE REGULATORY FRAMEWORK**

## ***Provisional assessment of the end-to-end review of the regulatory framework***

We welcome Ofgem’s assessment of the end-to-end review of the regulatory framework. It is vital that the regulatory framework surrounding connections keep pace with the reform process through driving behaviours and supporting outcomes in what will be a newly reformed connections process.

We acknowledge Ofgem committing to the action in the Connections Action Plan (CAP) (section 3.5d - Standards, Obligations and Incentives) to undertake this review to define a framework that will ensure an improved quality of service and timely connection results. Please find the Scottish Government’s feedback on the seven proposed themes below.

### **Theme 1 - Visibility and accuracy of connections data**

We recognise the issues Ofgem have set out under Theme 1 and we welcome the proposal to create digital view tools and the creation of guidance and standards for them. We would note that these tools should be accessible and simple to use for both efficiency and to inspire customer confidence in using them. We would also stress that the guidance required will have to be robust and easy to understand.

We also believe that it is valuable that connecting customers should be able to access the data they require to aid in their planning and decision making in a timely and easy to access manner and this data should be publicly available. High quality data visibility and accuracy can assist customers with submitting better quality applications which, when network companies are facing unprecedented connections applications, can facilitate less delays in processing applications and reduce resource cost.

### **Theme 2 - Improved service standards across the customer journey**

We agree with the issues Ofgem have set out under Theme 2 and welcome the proposals to include a licence condition for a standard of service required throughout the customer journey. We have received correspondence from stakeholders citing that they have received poor communications and information from DNOs and TOs including poor quality offers, wrong information being provided and incorrect connection dates being offered.

It is important that the standard of service requirements are transparent, consistent and provide customers with the certainty to further decarbonise our economy and achieve our just transition to Net Zero. While we welcome Ofgem’s goal to ensure that the right behaviours and outcomes will be achieved, we would like to see more detail on what specific behaviours Ofgem are looking to influence with these proposals.

We also share concerns regarding resourcing constraints that NESO and network companies are currently facing through the increasing volume of connection applications and planning requirements and emphasise that the standards of service should be robust while supporting and taking account of these constraints. We have received feedback from TOs

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that they are continuing to use a lot of resource to keep pace with the volume of applications, so it is important that service standards are maintained and improved upon where required.

### **Theme 3 - A requirement of network companies to meet connection dates in connection agreements**

We are aware of the issues that Ofgem have set out under Theme 3 and welcome the proposals to include a licence requirement to ensure connection dates as set out within connection agreements are met. We also recognise the negative impact that developers and consumers face if network companies do not deliver on their connection agreement and that any issues or delays should be communicated in a clear and transparent way by network companies.

We would be interested to learn more about the scope for a financial instrument which could compensate connecting customers who experience delays to their connection dates due to poor practice.

### **Theme 4 - Quality of connection offers and associated documentation**

We note the issues that Ofgem have set out under Theme 4 and welcome the proposals to include a licence condition on the completeness and quality of the connections offer and supporting documentation.

It is essential that customers are provided with high quality offers in a timely manner. We would consider a high-quality offer to include all the information that a customer, including community & local energy groups, will expect and require in a form that is both easy to understand and easy to access. We would also suggest that timeliness should not come at the cost of quality as this can lead to further customer frustration and delays and strains later in the process.

### **Theme 5 - Ambition of connection offers**

We acknowledge the risk that network companies may be conservative in connection dates as a result of proposed licence changes, as set out under Theme 5, and would welcome strengthened obligations on network companies to meet their connection dates.

We recognise that while Ofgem are proposing penalties for not meeting connection dates, we would suggest that consideration could also be made for incentivising meeting connection dates through financial or other means. It is vital that network companies can offer and deliver connections as quickly as possible however we would also like further clarification on how Ofgem would define the “earliest achievable connection date” and what information would network companies be required to use to assess and determine this date.

### **Theme 6 - Minor connections**

We have been made aware of connections challenges at lower voltages that are set out under Theme 6 and welcome the proposals designed to address the issues highlighted for customers looking to connect at lower voltages.

We would emphasise that it is important to ensure that customers who require lower voltage connections are treated equitably to customers connecting at larger voltages and similarly

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protected and supported when timelines and standards have not been met or there is evidence of unfair treatment. With this in mind, we would be supportive of a route to financial recourse for customers connecting at lower voltages.

## **Theme 7 - Provisions and guidance for determinations**

We note the issues Ofgem have set out under Theme 7 and welcome the proposal for Ofgem to review the guidance for connection determinations with a view to updating if changes are necessary in the current connections landscape.

We support that it is critical that there is a process in place which allows parties to escalate disputes to the relevant Authority for a determination and it is also crucial that Ofgem's determination powers are clear and uncomplicated. With the connections reform moving at pace, it is imperative that the determinations process remains fit for purpose going forward and customers in dispute are provided with suitable routes for recourse.

### ***Provisional assessment of the connection incentives for the RIIO T3 price control***

We welcome Ofgem's proposal to replace the two incentives which form part of RIIO-ET2 and acknowledge Ofgem's belief that the existing incentives have enabled the TOs to earn rewards at a time when the connection queue is historically high, and instances of customer dissatisfaction are frequent. We agree that a new incentive structure is needed which can drive faster connection times and create a more effective overall connections process. However, it's important that the balance between the levels of incentives and penalties drives the right behaviours.

We welcome the three options proposed by Ofgem to replace the current incentives and while the Scottish Government see positives and negatives in each, we believe that Options 2 and 3 are more favourable than Option 1 as it does not align with 2030 ambitions. We have provided more detail on this in the text below.

## **A Post Price Control Performance Review**

We see the benefit of a post price control performance review where overall TO performance could be assessed fully in the round, particularly where projects can take several years to complete. Having an assessment at the end of the price control period could account for the complete TO performance being considered. However, we are concerned that as this review would be undertaken after the price control ends in 2031 this would not align with timescales required to meet 2030 ambitions. More frequent reviews may help to ensure that TOs meet required performance levels.

We agree that there is a risk around the subjectivity of the decisions that would be made in a performance review. We would like to see further clarification on whether there would be a process in which a TO could, for example, challenge a score or rating if they feel that there were factors beyond their control or believe it to be unfair and to have more information on such a process.

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## Connections Timeframes

We see benefit in measuring and judging the complete end-to-end connection process of a project, as this could have an impact on driving down connection times and promoting the right behaviours. However, we share concerns that it would be challenging to categorise and benchmarked equitably when there are many variables and complexities unique to individual projects.

We also recognise the risk that this approach may disincentivise TOs to prioritise projects that have a higher strategic value and focus on projects that may be simpler and faster to deliver in order to financially benefit, which could set back our Net Zero targets and ambitions.

## Supergrid Transformer Capacity (SGT)

We also see positives and negatives in the Supergrid Transformer Capacity (SGT) proposal. This solution could work well for a number of areas which are crucial to our net zero ambitions including electrification of transport, decarbonising heat in buildings, new build housing, hospitals and prisons which would contribute to 3 of the Scottish Government's Four Priorities: Growing the economy; Tackling the climate emergency and Improving public services.

We do, however, have concerns that procurement for SGTs may limit how quickly TOs may be able to react the drive progress that Ofgem are seeking to achieve. We would like to see further detail on whether SGTs would be considered a constrained item as part of the Advanced Procurement Mechanism (APM) which may alleviate these concerns.

We agree with Ofgem's view that the new proposed incentives for RIIO T3 should include an appropriate financial incentive to ensure that TO behaviour is being driven in the right direction and welcome that an incentive could be a penalty or reward. It is valid that TOs ability to gain financial rewards may drive them to outperform targets but in the interest of the consumer, it is also imperative that there should be the ability to also penalise TOs appropriately if they underperform to a point where decarbonisation targets are put at risk.