

Alasdair MacMillian
Electricity Connections
Ofgem
10 South Colonnade,
Canary Wharf,
London,
E14 4PU.

Electricity North West
Frederick Road,
Salford, M6 6QH

Power cut? Call 105
General enquiries: 0800 195 4141
Email: enquiries@enwl.co.uk
Web: www.enwl.co.uk

Direct line: 07795 447817

Email: brian.hoy@enwl.co.uk

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(by email)

Dear Alasdair,

Connections end-to-end review - consultation

We welcome the opportunity to provide comments on this important consultation. We acknowledge that customers can, in some instances, face challenges when they come to connect to networks, both distribution and transmission. We are committed to helping improve the experience of our customers and are keen to work with Ofgem in further developing these proposals. We would be happy to take a leading role in any working groups established in the next phase of development of these proposals.

The approach outlined in the consultation is a marked change of approach from Ofgem. Previously we had understood Ofgem's policy was to promote competition and only regulate where competition was not effective. The majority of these proposals cover market segments where there is active competition, particularly in our area, and therefore would impose new obligations on us that our competitors are not subject to.

We are extremely concerned that this will create a market distortion as we are exposed to new obligations that directly and indirectly increase our cost to serve but do not apply to our competitors. This could result in us losing even more market share if customers do not value any enhancements driven from the new obligations. In particular, whilst financial compensation for detriment may initially sound appealing to customers, the financial risk is likely to drive up costs to ensure greater certainty of delivery. This would put us at a direct commercial disadvantage to our competitors who have the option to follow a different commercial strategy and always look significantly cheaper when bids are being evaluated (irrespective of what the final costs are).

We are concerned that these obligations may have unintended consequences with the additional cost burden largely borne by smaller customers where they do not have alternative choices available (as competitors can opt not to undertake smaller, less profitable jobs).



**INVESTORS
IN PEOPLE**



We have previously highlighted concerns with principle-based licence conditions; they are subjective and difficult to demonstrate compliance with. We believe there are even more issues if these are applied to competitive connections. Our primary concern is a potential conflict with our existing obligations to support competition in connections. We would anticipate that any principles-based licence condition, at its simplest, would cover aspects of cost and service to meet the needs of customers. If a customer chooses to go to a competitor, it could be concluded that the DNO had not met some of the principles-based licence conditions and therefore any loss of market share could suggest a non-conformance. This could have the unintended consequence of driving anti-competitive behaviour which conflicts with our legal and regulatory obligations. Our secondary concern is that customers will use it as leverage in making complaints by reference of the matter to Ofgem as a potential licence breach. We think this is in direct opposition to what we believe Ofgem is seeking to achieve in relation to determinations.

Whilst we support the principle of enhancing data provision, we would urge caution on how this is progressed. Changes through Connections Reform and Clean Power 2030 will significantly change the landscape and therefore care needs to be taken on the timing of specifying the information desired by stakeholders. The funding of this work is another important consideration. It is not clear whether Ofgem envisages it will be funded through price control or the costs passed onto connecting customers. Clarity on the funding needs to be provided as stakeholders views on their requirements may be influenced by who is bearing the cost.

We do recognise that the connections of LCTs is an area of growing importance and is not subject to the same issues of competition. We have therefore put forward proposals on how this could be incentivised to improve the outcome for customers connecting LCTs in our detailed response to each of the consultations questions as an Annex.

If there are any aspects of our response you would like to discuss, please do not hesitate to get in touch.

Yours sincerely

Brian Hoy
Head of Market Regulation and Compliance

Annex – detailed responses to consultation questions.

Theme 1 - Visibility and accuracy of connections data and network capacity

Question 1a. *Do you agree with the issues we have set out under Theme 1 - Visibility and accuracy of connections data and network capacity? Are there any other issues under this theme that we should consider or be aware of?*

Although we agree more can be done to improve the visibility and accuracy of connections data and network capacity, we believe many of the issues highlighted in the consultation are already being addressed in the ENA SCG Data Sub-Group. Moreover, improvements continue to be implemented, such as our recently published Connection & Capacity information within our [Data Portal](#). This allows customers to see their position within the connection queue, alongside capacity and project status. We were also pleased to be the first network to publish the Embedded Capacity Register down to 50kW with other DNOs later following suit.

We provide significant amounts of data, including visualisation tools in the Data Portal for customers and stakeholders to view and self-serve when considering and developing options. However, we do not believe one size fits all. Not all customers have the resources to fully utilise all available information to assess their options, and many prefer to be guided by experienced DNO staff. We offer this tailored service through pre-application surgeries and during preparation stage of an offer. In our experience, many customers appreciate and benefit from direct contact with our engineers to discuss their specific requirements and the options available to them using the latest information available. This tailored approach to suit the differing needs and capabilities of connections customers and stakeholders provides better outcomes and value.

Under Ofgem's Data Best Practice Guidance, DNOs have an obligation to follow Open Data principles, however, as electricity networks are critical national infrastructure, balancing this with cyber security and data protection means it is imperative that DNOs do not increase risk exposure in doing so. DNOs have been working closely with DESNZ in ensuring that this risk is managed appropriately.

Question 1b. *Do you agree with proposal 1a (new regulatory requirement on single digital view tools)? Do you have any views on how this should be implemented?*

We agree that improving visibility and granularity of information to support connections customers and other interested stakeholders is the right approach. We are working closely with the ENA Data SEG group to form a standardised approach across DNOs. However, a single digital view that brings together a multitude of systems and data is extremely complex, challenging and likely to be costly to implement. Any solution must be achievable across the networks and the prescriptive outcome of a single digital view tool is likely to both delay implementation and compromise the final solution. Any regulatory requirement therefore should be couched around investigating the feasibility of and costing the development of such a system rather than an explicit obligation to deliver one.

Another issue associated with a single digital view tool is the funding of the investment. It is unclear from the consultation how Ofgem envisages the development of this tool will be funded. This has complications across two dimensions:

- Will the costs be recovered from connecting customers or socialised through price controls?
- If the costs are socialised across price controls, how will they be allocated between DNOs and between DNO, NESO and TOs?

The funding of the investment is an important aspect when Ofgem reviews feedback from stakeholders. Ofgem acknowledges in 2.25 that stakeholders thought that a single portal is not necessarily required; any feedback that a single portal should be a long term ambition needs to understand what assumptions respondents have made on how the costs are being recovered as this may influence their desirability for a single portal solution.

Instead of a single digital view tool, we believe innovation in delivering the best solution is more likely with the 'early adopters' in this space setting the bar, and other networks learning from and adapting their solutions to further improve. An example of this is our Connection & Capacity information, where another DNO implemented their solution which we augmented and enhanced by adding geographical visualisation, ultimately producing a better solution for our customers. This approach creates an environment that encourages iterative improvement where benefits are delivered dynamically and is more responsive to customer feedback.

We would emphasise timing challenges when specifying a single tool at a time where significant reform is likely to alter the needs of customers and stakeholders. We believe standardisation and consistency across DNO-specific tools will deliver early benefits and enable convergence in user experience in future.

We do think there may be benefit in publishing a single view of data that helps customers navigate the impact of connections reform. For example, a simple consolidated source indicating where capacity is available, aligned to the strategic requirements of Clean Power 2030 would address a short-term need and provide clarity to support the Connections Reform process. This would not be as all-encompassing as a single digital view tool but might fulfil future needs to identify where future connections of given technology types are still needed.

Question 1c. *Do you agree with proposal 1b (new regulatory requirement on the creation of guidance / standards for data visualisation tools)? Do you have any views on how this should be implemented?*

We agree that guidance and or standards to ensure clarity and consistency across networks would have benefits for users. We think this will support the comparability of data and alleviate the need for a single portal.

However, Ofgem needs to recognise that there can be a timing lag before new definitions or standards can be realised. If new data is required, this may be only available for new projects or when monitoring equipment can be installed and therefore will take time before it is embedded and useful.

We believe that any guidance should be developed as part of the ongoing collaborative process in the ENA SCG Data Sub-Group to ensure all aspects are fully considered.

Question 1d. *Do you agree with proposal 1c (new regulatory requirement to provide connections data)? Do you have any views on how this should be implemented?*

We appreciate that Ofgem recognises the efforts that DNOs have made to complete the data book that is submitted to Ofgem. This has been undertaken on a collaborative basis and has gone through a number of iterations in its development.

We have no issue in principle with the data book falling under RIGs however we would note some concerns:

- The requirements need to be specified and adequate time allowed for reporting to be developed. Making it a formal submission under Data Assurance Guidance (DAG) puts extra requirements on DNOs in providing the data and therefore changes to systems and reporting may be required to facilitate compliance.

- The governance around changes will need to follow a formal process and this might reduce the agility of changes over time.
- The frequency of the submissions needs review. Particularly in light of the changes arising from Connections Reform, monthly updates would be too frequent. We do not think that the enhanced level of review and signoff required under DAG is commensurate with the level of change seen on a month-by-month basis.

Question 1e. *What are your views on the completeness and discoverability of connections data that would be useful to you? Are the existing resources clear and transparent?*

We believe that great strides have already taken place in bringing together data and visualisation tools into a single location, the data portal, with an ongoing programme to add further information to it. In addition, the ENA publish regular consolidated connections data as well as providing links to DNO specific data tools. All published connections data is available on our website, with supporting guidance where appropriate. We welcome any feedback on how we can improve the user experience for our website.

We actively support the continued development of the data portal, standardising information across networks to improve clarity and transparency in existing resources, and in increasing the detail where there is a user need.

However, any published data needs to be mindful of our obligations to maintain cyber and physical security standards, keeping our assets secure, as well as our obligations to customers privacy and security. This needs to be balanced with the assumed Open Data under Ofgem's Data Best Practice Guidance. We would welcome a joint approach with all relevant parties to ensure these drivers are not in conflict.

Question 1f. *Is there additional connections data that would be of use but legal barriers prevent it from being published? If so, do you consider that there are solutions that would enable this data to be made available, for example by aggregating it to appropriate levels / anonymising it etc.*

Barriers to publication of connection data include

- Cyber security for Critical infrastructure is a particularly sensitive issue
- Physical security for critical infrastructure
- Data protection for customer information
- Obligations on commercially sensitive information under the Utilities Act

A joined-up approach across government, Ofgem and networks will help address the challenges these barriers present in a consistent and compliant way whilst delivering enhanced security requirements. Aggregation and consolidation of data may assist in overcoming some of these barriers in the interim. However, funding levels will determine the speed of delivery and implementation of system development and enhancements needed. Additional funding specifically to address customer needs for connections data, whilst balancing against our security obligations, may be required in (or in advance of) ED3 depending on scale and timing of expected benefit realisation.

Question 1g. *Is there anything else regarding Theme 1 – Visibility and accuracy of connections data and network capacity that you consider we have missed?*

None noted.

Theme 2 - Improved standards of service across the customer journey (not including “minor connections”)

Question 2a. *Do you agree with the issues we have set out under Theme 2 - Improved standards of service across the customer journey (not including “minor connections”)? Are there any other issues under this theme that we should consider or be aware of?*

Inconsistency of standards of service

We disagree that there are limited standards of service across the end-to-end journey. Guaranteed standards of service apply covering the issuing of connection offers, contacting customers once they have accepted to discuss the programming of the work, agreeing start and end dates. These apply equally to demand and generation connections enacted albeit through slightly different regulatory mechanisms but in both cases resulting in payments to customers where the standards are not met. The use of agreed dates for the start and finish dates was debated when the standards were introduced and addressed the need for timescales to reflect the individual needs of each project.

We would point out the optimal timing of providing some services will vary between customers, in particular influenced by the level of development of their project and their timescales for desired connection. In many cases customers will ask DNOs to not carry out work as this will result in charges to the customer if they have for example desired connections dates long into the future.

Suggestions for new timeliness requirements

DNOs provide a range of pre-application services and these are typically tailored to the needs of customers. Some of the suggestions could be used to set timescales but we would urge caution due to the wide range of size and scale of projects that they need to cover. For example, for projects without planning permission, a discussion to plan the work has limited value just after acceptance and is more relevant when planning permission is granted.

Transmission/distribution interface

In terms of submitting information to NESO, we would note that this is included in the changes to CUSC in CMP 434 that is currently with Ofgem for consideration. These proposals provide clarity on the approach to batching and introduce new obligations of DNOs in terms of timescales.

In terms of ‘clock start’ we believe these issues will be superseded if the new approach to application windows is introduced via CMP 434 and CMP 435. In terms of TIA thresholds, these have been reviewed and NESO has raised a CUSC modification (CMP 446) to that end.

Question 2b. *Do you have any views on proposal 2a (general principles-based licence condition and supporting guidance around standards of service throughout the entire customer journey)? Do you have any views on how this could be implemented?*

We recognise the feedback from customers on the desire for consistency but want to ensure that this does not stifle improvements and innovation. This is particularly relevant where these relate to competitive activities and we would highlight the concern that the imposition of new standards of service could risk distorting the market where they are not applied to ICPs and IDNOs.

Network companies have previously raised concerns about principles-based licence obligations as they are subjective and difficult to demonstrate compliance with. This is particularly the case if these are applied to competitive connections. In this situation there is a

potential for compliance with a new principles-based licence condition to directly conflict with existing obligations to support competition.

The general nature of principles-based obligations mean that they are very subjective. This would allow any customer to allege that a DNO had breached its licence if they did not feel, for example, that they had not been provided with the support they needed, irrespective of how unreasonable the customers' expectations were. This would exacerbate the situation identified by Ofgem in Theme 7, where involving Ofgem is used as a leverage. Similarly, the use of language such as "timely" is again very subjective and has no counterpoint with the costs associated with it.

DNOs have obligations to support competition and all DNOs have demonstrated that there is competition across all network areas albeit to different degrees. This has been a long-standing policy outcome for Ofgem. The corollary of a principles-based licence obligation could be that any loss of market share could be construed as the DNO not having met some aspect of the condition as the connecting customer has chosen another party to make the connection. This could be interpreted as the amount of market share lost being inversely proportional to compliance with these new obligations. This is in direct conflict with the existing obligations to support competition and therefore not something we can support.

Question 2c. *Do you have any views on proposal 2b (new prescriptive condition(s) around standards of service)? Do you have any proposals for any specific areas of the connections customer journey that should be subject to such a requirement?*

While improvements are possible, new obligations should not undermine existing good practices, such as tailored pre-application services. We are concerned that new regulations introduce costs and these will need to be passed to connections customers unless other funding is agreed by Ofgem. As we have noted before, if these obligations are not applied to our competitors, they risk distorting the market.

We would note that the majority of jobs progress well but it is only the issues that are brought to Ofgem's attention and therefore might not be representative. Connections jobs vary widely, from small commercial properties to large multi-million projects, so a one-size-fits-all approach may not work.

We accept that some improvements in the following areas could be explored further through a working group:

- Time to agree on a date for a pre-application discussion
- Time to agree on a 'kick-off' meeting post acceptance, ideally after planning consent for larger projects
- Time to provide a named point of contact post acceptance, though this is likely already done in most cases.

Timescales for submitting projects that have met the 'Readiness Criteria' to NESO are covered by CMP 434 and therefore we do not believe need further standards.

Question 2d. *Do you consider that any of the existing standards of service requirements set out in the regulatory framework for provision of specific products / services should be revised or removed? Do you consider that there is any duplication or overlap of regulatory requirements across the regulatory framework that needs addressed?*

The existing standards set out in SLC 15 and 15A recognise the different levels of complexity that exist for different types of project. Either prescribed dates or agreed dates are used to set timescales that result in payments to connections customers if they are not met.

SLC12 also sets a requirement to issue all connection offers within 65 working days and predates the introduction of these new standards. Arguably this 'backstop' obligation does result in some duplication of the guaranteed standards in SLC 15 and 15A.

We think that SLC 12 could be removed or modified without any detriment to customers. Our view is that the consequence of a single non-compliance resulting in a licence breach with a 10% of turnover risk is disproportionate. We have had situations whereby we have been compelled to issue connection offers to meet this obligation when the customer would have preferred us to take a bit longer, for instance to provide more clarity on costs. For large projects, the prescribed timescales are shorter than many customers need due the development times for such projects. SLC 12 has no provision for the connecting customer to elect to opt out of the standard, for larger, more complex jobs this can lead to a conflict with the quality of the connection offer. An amendment that allows extra time for carrying out additional work to for example refine the costs in its connection offer, could be a helpful change. Further details are provided in our response to question 4c.

Question 2e. *Is there anything else regarding Theme 2 – Improved standards of service across the customer journey (not including “minor connections”) that you consider we have missed?*

None identified.

Theme 3 - Requirement on networks to meet connection dates in connection agreements

Question 3a. *Do you agree with the issues we have set out under Theme 3 - Requirement on networks to meet connection dates in connection agreements? Are there any other issues under this theme that we should consider or be aware of?*

We do not agree that the description of standards for DNOs in 2.75 to 2.77 and 2.81 is accurate. We consider that the standards apply consistently to both demand and distributed generation though they are enacted in different ways. Both types of connection have the same standards applied and both result in compensation if the standards are not met. Similarly, the obligations to comply are set out in SLC 15A where 90% of the standards need to be met each quarter for the three types of standard which is the aggregation of the demand and generation performance. This is clearly set out in the SLC15A reporting template where the performances are combined for demand and generation.

We would note that milestones were introduced for a different purpose into connections offers. Milestones were introduced to address the consequential effect on other connecting customers due to projects stalling resulting in subsequent customers getting longer timescales to connect and/or more expensive connection offers.

Question 3b. *Do you have any views on proposal 3a (strengthened principles-based licence condition around meeting connections dates)? Do you have any views on specific wording that would achieve the intended outcome?*

While understanding the importance for customers, we have concerns about unintended consequences of the proposals. As described in Question 3a, there are existing standards of service where we need to agree dates with customers to start the work and to complete the work with penalty payments made to the affected customer if the agreed dates are not met.

We are concerned that a principles-based licence condition introduces unacceptable levels of risk and issues, particularly due to the lack of clarity. This could lead to a situation where **any** proposed connection date could be challenged by a customer as not meeting the requirements of the licence.

There are many things that affect the connection date and not all of these are within the DNOs control. We find it difficult to consider how principles-based licence condition could be

constructed so that a DNO is not at risk for these things. Our concern is that such an obligation would result in increases in costs across the supply chain and these would be passed onto the connecting customer. This could put us at a commercial disadvantage to ICPs and IDNOs who do not have such obligations and potentially cause a market distortion.

Question 3c. *Do you have any views on proposal 3b (minimum standards / SLAs around meeting connections dates)? Do you have any views on specific standards that could be introduced and how they would work in practice?*

There already is a mechanism through guaranteed standards to meet agreed dates. When these were developed, prescribed timescales were considered but stakeholders agreed that these would not be practical and meeting agreed commitments, relevant for the specific project, was more appropriate.

As explained above, there are many issues affecting the delivery of a connection that are outside of a DNOs control. These include such things as land rights on third party land, street works permits and the customers desired connection date. Additionally, the supply chain for delivering large items of plant is largely dictated by suppliers as this is a global market and DNOs are price takers. The lead times for such equipment is therefore largely out of a DNOs control. As noted above, in many cases the timescales for the connection is dictated by the customer and it was the phenomenon of stalled projects that led to the introduction of contract milestones.

Question 3d. *Do you have any views on proposal 3c (a financial instrument designed to offer recourse to connecting customers who face detriment due to delays)? Do you have any views on how this should be implemented?*

We have significant concern about introducing a financial instrument over and above those that already exist in guaranteed standards.

Ofgem's wording as to what the financial instrument is seeking to do is not clear. The suggestion is that parties who suffer detriment should be compensated for it. This raises several significant issues.

- How would the value be assessed? The cost of detriment would be exceedingly variable, even for very small projects and this risks extra administrative burden seeking to agree levels of compensation in contracts.
- Compensating for detriment involves addressing consequential loss, which is complex and challenging to quantify. This is likely to require extra legal and commercial resources to agree these.
- DNOs are likely to push these obligations through their supply chain. This is likely to have the consequence of pushing up costs. This would result in additional costs for connections customers but also risks creating a market distortion as competitors remain free to choose what level of risk they take in their contracts.
- DNOs are price takers in global markets for major equipment, with limited influence on supply chains. This could lead to increased prices for connecting customers if DNOs pass on the risk to suppliers.
- In some cases, the connection date is set by the requirement for Transmission work. Would delays in the Transmission work result in the DNO having to make payments to the customer?

Overall, we are concerned that an additional financial instrument risks exposing the regulated party to disproportionate financial detriment if it is imposed. We would point out that section 22 of the Electricity Act does allow DNOs to offer different terms for connection. This allows DNOs

the choice to offer terms that does cater for consequential loss but this would be a commercial decision for the DNO and the associated charges would likely be more expensive.

Question 3e. *Is there anything else regarding Theme 3 - Requirement on networks to meet connection dates in connection agreements that you consider we have missed?*

We think that a reward only mechanism could be introduced to facilitate the creation of capacity on distribution networks. This would be based on an existing mechanism at Transmission; the SO:TO incentive which encourages the TOs to find opportunities to reduce network operating costs through delivery of enhanced services.

This could be designed to encourage DNOs to look at how capacity could be created in addition to network investment. This could utilise similar initiatives that were successful at transmission eg dynamic weather-based ratings to installing monitoring equipment to calculate real time operating temperature and allowable circuit capacity with DNOs retaining 10% of the cost savings.

Theme 4 - Quality of connection offers and associated documentation

Question 4a. *Do you agree with the issues we have set out under Theme 4 - Quality of connection offers and associated documentation? Are there any other issues under this theme that we should consider or be aware of?*

This is a complex area and different customers have different needs.

We agree that there needs to be a balance between the time taken, the quality of the information provided and the cost of doing so. There are several points we would make in relation to the issues identified:

- Not all customers will want to pay for enhanced level of detail
- It is the nature of commercial contracts that not all costs can accurately be predicted and variations are a standard tool
- Many jobs progress well but it is only the ones where there have been issues that are highlighted to Ofgem

Question 4b. *Do you have any views on proposal 4a (principles-based licence condition on the completeness / quality of the offer and supporting documentation)? Do you have any views on specific wording that would achieve the intended outcome?*

We have significant concerns that a principles-based licence condition could compromise our ability to compete in these competitive markets. We believe that there are already adequate obligations on what we must include in a connection offer. Any principles-based licence condition is likely to be open to subjectivity and very difficult for a DNO to demonstrate compliance.

We already have to strike a difficult balance when making connection offers in a competitive market. On one hand, if we provide too much detail, then a customer can share this with a competitor who can estimate the work without doing any design thereby avoiding those costs we have to bear. On the other hand, if we do not provide enough detail, for example of any assumptions we have made, we can look expensive in the first instance whereas a competitor may choose to reduce the headline costs to win the work and subsequently claim variations. A principles-based licence condition could therefore lead to DNOs having to include more risk provision in their connection offers (to avoid later variations) thereby increasing the costs and becoming less competitive.

We would also note that the results from the Major Connections Satisfaction Survey suggests generally positive levels of satisfaction, averaging 8.6 out of 10.

Question 4c. *Do you have any views on proposal 4b (minimum standards / SLAs on the completeness / quality of the offer and supporting documentation)? Do you have any views on specific standards that could be introduced and how they would work in practice?*

We think that in general the standards of service already in place work well and deliver good standards of service for customers. DNOs are required to adhere to existing minimum standards and SLAs when providing a connection offer; SLC 12 defines the minimum requirements for information contained within an offer (with further details in the Connections Common Charging Methodology) and obligations under SLC 15 and 15A set minimum standards for timeliness in providing offers.

We seek to get the balance right between providing an accurate estimate of costs but without unnecessarily increasing the charges to customers. For example, for EHV projects, the detailed design is not carried out until after the customer accepts. In some case this can lead to changes in the design and therefore the costs, both up and down. The costs for this extra work are therefore only incurred on those jobs which look viable and therefore keeps the initial costs down to the connecting customer. This also allows the prioritisation of this expertise on the ~20% of EHV connection offers that are accepted.

We do see merit in having an option for a customer to elect to pay for extra work to go into providing a more comprehensive connection offer though this would need changes to SLC12. Whilst there is provision with SLC12 for it not to apply with Authority consent, this is not always practicable in the development of the connection offer within 65 working days. SLC12 predated the introduction of other more detailed standards (ie SLC15 and GSoP under SLC15A) and is quite draconian with not meeting the 65 working days a breach of licence and exposing the DNO to a fine of up to 10% of turnover for a single customer application. We propose that there are a couple of alternatives which would allow improvements:

1. The timescales in SLC12 could be turned off. This historic condition effectively duplicates the more detailed standards that were introduced via GSoP and therefore could be considered superfluous.
2. An exception could be introduced to SLC12. This would allow the customer to elect to exempt the DNO from this obligation, similar to the provisions for GSoP. This would allow, by agreement, the DNO to take longer to make the connection offer, providing greater detail and certainty of costs.

Question 4d. *What do you consider would constitute a 'high quality offer'?*

We will be interested in reading the feedback from customers. However, it is worth reiterating that greater detail within a quote may need more time for it to be issued and is likely to increase the costs of making the connection offer. These aspects need to be considered, not just the quality.

Question 4e. *Is there anything else regarding Theme 4 - Quality of connection offers and associated documentation that you consider we have missed?*

No additional points to add at this time.

Theme 5 – Ambition of connection offers

Question 5a. *Do you agree with the issues we have set out under Theme 5 - Ambition of connection offers? Are there any other issues under this theme that we should consider or be aware of?*

We understand the theoretical concern that Ofgem has but believe that there are already obligations that counter this risk.

Question 5b. *Do you have any views on proposal 5a (strengthened principles-based licence condition around offering earliest achievable connection dates)? Do you have any views on specific wording that would achieve the intended outcome?*

As outlined above, we have significant concerns of the unintended consequences of introducing principles-based licence condition to competitive connections.

The term "earliest achievable" that Ofgem suggest in 2.107 is highly subjectively. The "earliest achievable connection date" suggests completing the connection as early as it could possibly be done without any consideration of cost or reasonableness. This could be construed that no delays can be tolerated; all equipment procured in advance so that there are no equipment lead times, all required resources are immediately available and will work 24/7 to complete the project. This would lead to impractical situations and inefficiency.

The root cause is that defining "ambitious" would be ambiguous and should not imply achieving goals at any expense. In these competitive markets that is the balance between cost and service that DNOs have to strike in order to not lose market share.

Question 5c. *Is there anything else regarding Theme 5 - Ambition of connection offers that you consider we have missed?*

No additional points to add at this time.

Theme 6 – Minor connections

Question 6a – *Do you agree with the issues we have identified? Are there any other issues under this theme that we should consider? Please provide data and evidence to support your views if possible.*

We recognise that there are opportunities to streamline processes and improve consistency across networks where appropriate. We would also agree the growth in installations of LCTs and the impact this has in achieving Net Zero should be reflected in the regulatory framework. We have made proposals to address some of the issues highlighted (see question 6b).

Question 6b – *What are your views on our proposals designed to address these issues? Are there other proposals you consider would achieve the intended outcomes?*

We recognise that this is a growing area with standards of service limited to being included in the General Enquiries category of the Broad Measure of Customer Satisfaction Survey and the Appointments standard EGS 8.

Delays/Timelines

We do not support the introduction of a principles-based licence condition due to the subjectivity of such conditions and the difficulty in demonstrating compliance. We believe that a reward only financial incentive would drive more significant improvements, more quickly, as described below.

We accept that some minimum standards could be developed but do not think that these will drive the desired improvements in service. There are many aspects outside of the DNOs control and the standards would need to have provision for those. We believe a financial incentive is a better way forward.

Inconsistencies

We understand the desire for consistency from customers but think any obligations will need careful consideration. Alignment of processes can be challenging, particularly where

agreement across different stakeholders is needed. Any obligations would need careful consideration so that we are not exposed to a breach of licence by the action (or inaction) of another licensee.

Monitoring

In our proposal below, we have identified how the key intervention points in the process could be measured and utilised to create an incentive.

Enforcement

In most instances, it is the installer who engages with the DNO and are therefore is our customer. We are therefore concerned that any financial compensation would be received by the installer rather than the end customer. This also creates a perverse incentive for the installer not to communicate well with their end customer as any delays could result in the installer receiving a payment from the DNO. The introduction of any such enforcement measures would also need provision for exemptions for issues outside of the DNOs control.

G98 Limit

We are not aware of any DNOs changing their G98 limits; G98 is a national standard and we are obligated to comply with it. G99 does have a 'fast track' route for smaller equipment and we are aware that some DNOs have altered their processes so that they do not carry out network modelling for connections up to 5kW. We think this change has been misrepresented in the consultation.

Notifications

We would strongly support anything Ofgem can do to improve the notification of installations to us.

Our proposed incentive regime

We propose two complementary approaches that are based on the regimes introduced for small connections in ED1 and drove significant performance improvements. The two aspects cover

- timescales for delivering key outcomes in the process, and
- customer satisfaction

Proposed reward only incentive on timescales

Our proposal for improving the timescales for this work would be to set measurement at the key intervention points and use this as the basis for incentivisation. This would require agreeing the measurement in ED2 so that some baseline performance data can be obtained to use in setting incentivisation targets for ED3. We would propose that it would only apply to reactive work. We have identified four key points to measure performance:

1. Request to connect is approved without any further work being needed

In this situation the timescale would be the time from submission by the customer to it being approved, measured as an average. This encourages DNOs to respond quickly to submissions.

2. Request to connect needs further work

In this situation, three categories are proposed:

a) Interim solution in place

This would measure the average time from submission by the customer to confirmation that an interim solution is in place. This would incentivise the DNO to allow devices such as load limiters which allow the customer to make use of their LCT devices and communicate this quickly to customers

b) Work required on customers premises

This would cover any solution where the work needed can be completed on the customer's property, where no third-party access is required. This would therefore include fuse upgrades, cut-out changes and service upgrades and would measure the average time from submission to completion of the work.

c) Work involving third party access

In our experience this can be the most problematic category and therefore have proposed it is separated out. This would include any work where third-party consents are required such as work in the highway where Local Authority permits are required and unlooping which requires work on a neighbour's property. Unlooping in particular can be challenging where we need to access and disrupt a neighbour's property. This can lead to protracted discussions and negotiations which can be significantly influenced by historic relationships between these neighbours. This would again measure the average time from submission to completion of the work.

For each of the four categories, the DNO would be incentivised to improve the average performance. Our proposal is to make it reward only as this mitigates the issues associated third party access but still encourages DNOs to improve. This is consistent with how the Time To Connect incentive was first introduced.

Incentive on customer satisfaction

Our proposal is to refocus the existing Customer Satisfaction Survey which forms part of the existing Broad Measure of Customer Satisfaction incentive by changing the scope of the General Enquiries component to focus solely on LCT. This creates a simple method to target performance improvement in LCT where we are seeing significant growth, supporting the Net Zero ambitions of consumers and communities in the north west. We think this complements our proposals for incentivising time to serve for LCT works and is consistent with the approaches from small connections that have seen improvements across ED1.

Question 6c – *Do you have views on how poor performance could be addressed under these proposals to ensure the smallest scale customers are protected and LCT roll out is supported?*

We think a reward only mechanism will be most effective in driving improvements. There are many issues outside of the DNOs control and these would need to have exemptions applied in any form of new standards of performance. We have seen the positive effect that the Time To Connect incentive had on driving improvements. Publishing performance data also provides a reputational effect that we believe will ensure positive outcomes for customers.

Theme 7 - Provisions and guidance for determinations

Question 7a. *Do you agree with the issues we have set out under Theme 7 - Provisions and guidance for determinations? Are there any other issues under this theme that we should consider or be aware of?*

We recognise that customers will encounter issues and that we should have effective complaints processes to deal with them. We do get customers that threaten to refer the matter to Ofgem but will always seek to resolve the matter without needing that escalation route.

Question 7b. *Do you have any views on proposal 7a (Ofgem to review the guidance for connection determinations)?*

We agree that reviewing the guidance would be appropriate. We think that additional clarity on what Ofgem can and cannot cover under its powers would be helpful. In particular, examples of the sorts of things that Ofgem do not have vires for would be particularly helpful so that customers are well informed.

As mentioned previously, we believe that any principles-based licence conditions could worsen the situation as any customer dissatisfaction could, with the subjective nature of them, perceive that a network company had breached its licence and therefore increase the number of investigations for relatively trivial matters.

Question 7c. *Is there anything else regarding Theme 7 - Provisions and guidance for determinations?*

The guidance should also be updated for changes in the industry structure, particularly in relation to NESO.

RIIO T3 – Electricity Transmission Network Incentivisation

Question 8a - *What are your thoughts on each of the three ideas we have presented? In your response, please identify positives and negatives you see in each of the proposals, and if you have a favoured option and why that is.*

Post Price Control Performance Review

We believe that this option has a number of limitations:

- It is very subjective and many issues are outside TOs control
- It will be difficult for stakeholders to segregate and assess TO performance as many interactions will be heavily influenced by NESO and DNOs
- Performance measurement does not provide any feedback to allow for corrective action during the price control period
- Perception likely to be most influenced by most recent experiences and therefore does not give a balanced view across the period

Connections Timeframes

We believe that this option has a number of limitations:

- The relatively small number of projects and the long timescales involved will make any benchmarking very difficult
- Historic performance, pre-Reform does not give a usable baseline

- There are many aspects of delivering projects that are outside the TOs control, in particular the customers programme could have a key dependency on when the project is connected
- It is unclear whether the proposal would include embedded projects, if not it risks creating a distortion

Supergrid Transformer Capacity

We believe that this option has a number of limitations:

- It is unclear how capacity would actually be measured and what if any effect changes in the background capacity would have; this could lead to inefficient investment if the need for the capacity changed
- Where Supergrid transformers feed DNO networks, there are different charging regimes depending on whether or not the site is an Infrastructure site or not
- The baselining of the plan would be difficult and using historic performance may not give useful timescales that would be worthy of incentive reward
- Its not clear how changes to the plan would be dealt with

Overall, of the three options, we agree that the Supergrid capacity is the one that has the most potential but the issues we have outlined would need to be considered in the incentive design.

Question 8b - *With reference to our Future Considerations, do you have any further ideas on how TOs could be incentivised through a financial penalty and reward model, to deliver faster connections times, a more effective overall connections process in RIIO-ET3 and drive behaviours that have a positive long-term impact on the network?*

We do not have any specific proposals at this stage but would highlight that any proposals need to ensure that the benefits flow through to embedded connections on the distribution network. Most of the distributed generation project over 1MW have connection dates that are adversely impacted by Transmission constraints. Any incentivisation regime needs to ensure that the benefit also flows through to distribution customers,