



Energy for  
generations

# ESB Generation and Trading's Response to the Ofgem's consultation on Connections end-to-end review.

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## 1. INTRODUCTION

ESB Generation and Trading (GT) welcomes the opportunity to respond to Ofgem's consultation on its proposed changes to the regulatory framework around electricity grid connections, as part of the connections end-to-end review, including connection incentives for the RIIO T3 price control. The NESO (through connection reform methodologies) and Ofgem (with enabling licence changes) are consulting separately on the electricity connections process reform proposal "Target Model Option 4 (TMO4+)". This consultation focuses on the regulatory framework and proposed licence changes that will enable a fit for purpose framework that governs how parties to the connections process are expected to act. This should address concerns about the standards of service received, connection offer delays, poor-quality connection offers, or a lack of clear communication from regulated parties during the process.

ESB's portfolio in Great Britain includes two combined-cycle gas turbine plants in the Midlands and the northwest, offshore wind farm interests in Scotland, three operational onshore wind farms in England and Wales and a growing onshore wind presence in Scotland. A central feature of ESB's business is to deliver benefits to consumers by investing in the most efficient renewable assets, particularly offshore and onshore wind at locations where the wind resource is highest. Naturally, it is important for the rules to facilitate investments at locations where the energy yield is economically viable for these renewable assets.

By way of an introduction, ESB is Ireland's foremost energy company, with around 7,000 employees. Established in 1927 by the Irish Government, and remaining 95% state owned, ESB created the first fully integrated electricity system in the world. ESB owns the transmission and distribution systems in Ireland and Northern Ireland. ESB have been present in Great Britain since market liberalisation and for 25 years has powered homes and businesses across the country, investing around £2 billion. ESB was one of the first IPPs in the UK with our investment in Corby Power Station (350 MW) in the early 1990's.

ESB is supporting Britain's transition to a low carbon future by investing in flexible and renewable generation assets, including combined-cycle gas turbine, wind, and biomass technologies. ESB opened Carrington Power Station (880 MW) in 2016, one of the most flexible and efficient plants in the market on the site of an old coal plant near Manchester. Carrington is owned by ESB's 100% subsidiary Carrington Power Limited. ESB also owns 125 MW of onshore wind generation capacity (with over 2,000 MW in the onshore wind development pipeline across the UK), over 2,000 MW in offshore wind development pipeline, a 7 MW battery storage project in Lincolnshire, and has also invested in the 353 MW Galloper offshore wind project.

## 2. EXECUTIVE SUMMARY

ESB GT supports Ofgem's programme to reform the regulatory framework for the DNOs, TOs and the NESO (the regulated parties) to address concerns from generation connection applicants about the "standards of service received, connection offer delays, poor-quality connection offers, and a lack of clear communication from regulated parties during the process". It is appreciated that the DNOs, TOs, and the NESO are dealing with an unprecedented volume of applicants and are resource constrained in an industry running at full capacity to meet the energy transition towards full decarbonisation. However, ESB GT has experienced issues which have hindered developments (see response to Theme 3), and continues to hinder our development of large-scale renewable energy that will play an important part in meeting Great Britain's Clean Power 2030 goals and net zero ambitions beyond 2030.

As discussed in our recent response to Ofgem's consultation on required licence changes for TMO4+ connections reform, ESB GT supports the reform from a system that is 'first-come-first-served' to one based on readiness and strategic need and therefore supports the licence changes that enable this reform. The TMO4+ reform should, to some extent, reduce the administrative and connections planning burden on the NESO and TOs help with some of the issues. Ofgem needs to ensure that the DNOs, TOs and the NESO have the ability to meet the challenges being set by the regulator and industry.

Ofgem's proposals for new regulatory obligations and strengthened licence conditions in this consultation across the key connection process themes are therefore welcomed and ESB GT looks forward to further engagement on the details. Ofgem's proposal to review the guidance for connection determinations is also essential to ensuring that the regulatory framework on the DNOs, TOs and the NESO is fit for purpose and provides appropriate, equitable outcomes for all parties.

ESB GT also agrees with Ofgem's proposed direction in developing a new incentive structure to drive faster connections times and a more effective overall connections process, which would replace the two existing connections incentives (Timely Connections and Quality of Connections Survey). Clearly the new incentive structure needs to align with the proposed licence changes on connections to drive the right behaviours and ensure the best outcomes. As with any incentives scheme, the new incentives need to be achievable and realistic whilst also ensuring correct impact on the regulated parties and the market. Of the options proposed, Option 1 offers a comprehensive post price control performance review that could take factors such as proposed Option 2 and 3 into account.

ESB GT looks forward to working across industry and with regulated parties to ensuring the new connections regime is a success and enables all key parts of this system to function efficiently and ultimately to the benefit of consumers and citizens.

### 3. CONSULTATION RESPONSE

In this section ESB GT has outlined its feedback to this consultation / call for input on connection end-to-end review consultation and on RIIO T3 – Electricity Transmission Network Incentivisation.

#### 3.1 Response on connection end-to-end review themes

In the following commentary, ESB GT discusses some of the issues it has experienced across the thematic issues, possible solutions and comments on Ofgem’s proposals.

At a high level, it is clear that many of the themes are interlinked, and that adequate resourcing in the regulated parties is at the root of many of the issues. The production of higher quality offers, with appropriate connection date targets, would be a significant preventative measure in alleviating the resource burden on the DNOs, TOs and the NESO by reducing the follow up required.

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

ESB GT agrees with the issues identified, the proposals presented and that the direction of travel should continue to be towards a single portal covering all network areas across both transmission and distribution, sooner rather than later. The DNOs, TOs and the NESO need to be obligated to ensure improved data quality and availability, with a focus on the capacities available and contracted project connection dates as these are of primary importance to those planning new generation developments.

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

The standard of service across the customer journey for connections is a concern for ESB GT. As discussed above the issues with standards of service relates to both the development of offers and the follow up post offer issuance. This includes both new offers and important modification applications. ESB GT has experienced errors in offers and long response times with respect to addressing the errors. One key mitigation for such issues would be to ensure the same correct people who have experience of the issue and can propose solutions attend each follow up meeting. ESB GT has experience of such issues even on long-established operational assets. The new connections portal does not seem to have helped much to date in addressing these service issues, leading to duplication of effort as queries not dealt with through the portal are also followed up directly via e-mail/phone calls.

ESB GT agrees that it is important that there are clear and proportionate standard of service requirements for regulated parties throughout the customer connection journey.

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

The delay to connection dates for large scale projects resulting from an issue with the regulated parties is a source of particular concern to ESB GT, given the material impact it has had on these projects. In some cases this has impacted on project viability and in one instance significantly contributed to the cancellation of a previously viable 80 MW project which was consented and ready to build. We have experienced numerous grid delays to enabling works. In some instances, in order to defer increases in securities, ESB GT has had to instigate and pay for modification applications to delay connections where the TOs have failed to formally notify the developer through an Agreement To Vary of a delay on the TO side. This is not good practice with limited or no recourse for the developer. The escalation procedure if the developer is not happy with TO/NESO decisions is not clear and we support Ofgem's proposed review of the provisions and guidelines for determinations (as discussed in Theme 7 below).

Ofgem have correctly identified that there is limited scope for network companies to be held to account against timeframes for delivery of individual connections once a connection agreement is in place. The connection dates provided appear in some cases to be notional given that there is little or no obligations on the TOs to meet the stated connection date. ESB GT agrees that the regulatory framework needs to ensure there are proportionate requirements on network companies to meet agreed customer connection dates in connection agreements, commensurate with those on developers to meet the NESO/TO defined development milestones in the connection agreements.

The current regulatory requirements are insufficient to ensure regulated parties are suitably incentivised to meet connection dates in connection agreements. ESB GT supports Ofgem's direction for new regulatory obligations and strengthened licence conditions in this area and we look forward to further engagement on the details.

ESB GT believes that Ofgem should also consider some form of financial compensation to the developer and acting as a penalty on the regulated parties is appropriate, but as alluded to by Ofgem this will never be enough to recover full opportunity cost of a project that may not then be viable due to connection date delays. We also appreciate that, as stated by Ofgem, the level of any such financial instrument is proportionate and does not risk exposing the regulated party to disproportionate financial detriment.

However, there are punitive securities for projects on the developer side but no such penalty on the regulated party side. Ofgem have stated correctly that there may be occasions where products or services required for a customer's connection are delivered late by networks as a result of circumstances entirely out of the regulated parties' control. Therefore, at a minimum, developers should not face costs payable to the regulated parties or increased project liabilities as a result to delay on the

part of the regulated parties. There should also be some form of appropriate leniency on the grid liabilities faced by the developer and the securities should not be drawn down inappropriately. ESB GT recommends that the process for calculating annual liabilities includes a review of associated grid delivery programmes, allowing for a deferral of increased liabilities (and securities) to the developer in the event of grid delays. To support this, TOs should confirm grid delivery programmes at least 3 months in advance of security statements being issued so that any updates can be applied, therefore mitigating the liability risk being imposed on developers.

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

Ofgem correctly states the issue that the regulatory framework generally focusses on the timelines of offers but the framework does not set out clear requirements on the quality of the offer and the information provided. This is a hindrance to the development of large-scale renewable energy projects. The quality of offers should be high as standard and this would reduce the follow up required with the regulated parties and the resultant resource burden on them. It would benefit all parties to have a requirement for the TOs and the NESO to hold a meeting with the developer during the offer acceptance period (e.g., one month before offer expiry) to ensure that all outstanding queries have been addressed.

Another issue and possible mitigation with offer quality would be the production of a consistent set of high-level technical standards and functional specifications (similar to those provided by the Irish TSO EirGrid). The technical specifications that are provided currently in GB are project specific resulting in a lack of consistency and they also come relatively late in the development process. Projects at this stage of development need certainty and can't have surprises in specifications provided at a late stage.

ESB GT agrees that the regulatory framework needs to drive the creation of high-quality offers and associated documents/information provided, which are clear, transparent and detailed enough to provide certainty to the customers and investors.

ESB GT would also recommend that necessary changes to existing connection agreements are considered in a careful but timely manner following exercises such as the Holistic Network Design Follow-Up Exercise (HND FUE) or the Clean Power 2030 alignment, and that any changes align with the expectations set out during those processes, particularly in respect of network access arrangements.

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

As discussed by Ofgem there is a risk that network companies may be incentivised to be conservative on connection dates, should requirements on them to meet connection dates in connection agreements

be strengthened. Overly conservative offers, both now and with any regulatory change is a significant concern and ESB GT agrees with the proposal that requires network companies and the NESO to offer the earliest achievable connection date to the customer, based on the information available to the network company at that point in time.

This could also include the requirement to make revised offers to customers post-agreement in a timely manner, if it subsequently became possible to connect that customer more quickly. However, this needs to be mutually agreed as the developer's timeline may not match an earlier date, particularly for large scale projects.

ESB GT considers that the proposal to consider provision of alternative (flexible or non-firm) connection offers if a customer's requested connection date is unachievable should not result in a dilution of the regulated parties' obligations to provide timely, full connections which are needed to meet Clean Power 2030 targets or net zero ambitions beyond 2030.

- **Theme 6 – Minor connections**

ESB GT has no comment on this theme.

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

As stated in Theme 3, there appears to be limited or no recourse for the developer in some instances where the developer is not happy with TO/NESO decisions and the escalation procedure is not clear. Ofgem's proposal to review the guidance for connection determinations is therefore essential to ensuring that the regulatory framework on the DNOs, TOs and the NESO is fit for purpose and provides appropriate, equitable outcomes for all parties. ESB GT supports the goal to achieve greater clarity and transparency for all parties in the determinations process, the available redress to parties involved, and on Ofgem's role in managing complaints and issuing determinations. The guidance needs to be updated regularly to take account of changes in the connections process, particularly over the course of the major connections reform happening presently.



### 3.2 RIIO T3 – Electricity Transmission Network Incentivisation

ESB GT agrees with Ofgem's proposed direction in developing a new incentive structure to drive faster connections times and a more effective overall connections process, which would replace the two existing connections incentives (Timely Connections and Quality of Connections Survey). Clearly the new incentive structure needs to align with the proposed licence changes on connections to drive the right behaviours and ensure the best outcomes.

As with any incentives scheme, the new incentives need to be achievable and realistic whilst also ensuring correct impact on the regulated parties and the market. There should be penalties as well as rewards on behaviours they control. Ofgem has presented three mutually exclusive options that are summarised as follows:

1. **A Post Price Control Performance Review:** At the end of RIIO-ET3, Ofgem would have an ex-post review of TO performance on metrics including timeliness of connections, volumes of connections and delivery of network upgrade.
2. **Connection timeframes:** length of time individual connections projects take, from initial application through to an actual connection going live (not just connection offers).
3. **Supergrid transformer (SGT) capacity:** increase SGT capacity across the 5-year price control period.

It is appreciated the SGT capacity Option 3 could act as a measurable proxy for performance but could be too narrow in scope to drive the correct behaviours across the end-to-end process with developers. The connection timeframes in Option 2 are clearly measurable but complex in finding the appropriate benchmarks given the many externalities which influence connections of different types. Option 1 would offer a comprehensive post price control performance review that could take factors such as Option 2 and 3 into account.