

Centrica plc

Millstream  
Maidenhead Road  
Windsor  
SL4 5GD  
[www.centrica.com](http://www.centrica.com)

Response submitted to: [Alasdair.MacMillan@ofgem.com](mailto:Alasdair.MacMillan@ofgem.com)

13<sup>th</sup> January 2025

Dear Alasdair,

**Connections end-to-end review of the regulatory framework & connections incentives for the RIIO T3 price control**

Centrica welcomes the opportunity to provide views on the issues presented in the consultation document, and feedback on potential remedies including new licence obligations.

We believe the poor standards of service that network companies provide connecting customers urgently needs addressing. As a project developer, we experience first hand how poor service can lead to substantial delays, additional costs and difficulties in completing a grid connection. Ofgem's review is an important first step in addressing these concerns, and we look forward to engaging on developed proposals later this year.

Please find our responses to the questions regarding the RIIO T3 incentives, in the Annex below. In light of the extension to the timeline for providing views on the first seven themes of the end-to-end review, we will write again to provide our full response covering the remaining questions before the new February deadline.

Yours sincerely,

Sam Railton

**Regulatory Economics and Policy Team – Centrica**

## Annex: Responses for Theme 8

**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.**

As a general comment we disagree with Ofgem's assumption that these three options "would be mutually exclusive". It is not clear, for example, that the SGT option addresses the same issues as the other approaches. Incentivising investment in SGT capacity may increase the volume of connections, but would not address issues associated with performance of network companies such as time taken to connect, or service provided throughout the connection process. For the purposes of the End-to-End review we believe performance issues should be the priority. We have considered each of Ofgem's proposals.

Option 1: The Post Price Control approach has some merit, however this option is underdeveloped and has potential flaws. While it is geared towards addressing the right issues (poor performance), it needs to provide a mechanism for issues to be flagged as they arise. If performance is not reviewed until the end of the price control period in 2031, network companies may not be aware of their performance against review standards during the period prior to the review, and may not take actions to address issues customers. This means the incentive could be less effective at encouraging performance improvements. As customers this is sub-optimal as we want to see acceptable standards of service – a review and penalties for poor performance at the end of 2031 may be too late to provide for this. If this option is implemented, we recommend a mid-period assessment as a minimum, but annual reviews would be preferable.

Option 2: The 'Connection Timeframe' approach would provide an incentive to deliver connections quicker, however there is a need to consider effectiveness in the context of other reforms. If the proposals in Ofgem's wider end-to-end review document are implemented, such as requirements for meeting ambitious connection dates and meeting key milestones, this may already address behaviours that lead to poor performance (and ultimately slower delivery of connections). As for question 8b we think the focus at the present stage should be on penalising poor behaviour and establishing a level of acceptable performance, before determining benchmarks for exceptional performance and associated rewards. Determining allowed timeframes for completion of works based on benchmarks of existing performance may risk embedding poor behaviour. Therefore, we would support a version of this option, on the condition that it is coordinated with the package of reforms set out in the wider end-to-end review, and implemented at the correct time.

- Option 3: The SGT approach may have merit, but will not address issues with network company quality of service, or, by default, reduce connections timescales. In many cases, there may be other limiting factors beyond SGT capacity such as capacity of line assets. Physical space is also a likely barrier – where adjacent land is unavailable, or protected, an increase in SGT capacity may be undeliverable. Any incentives here should be mindful of

such barriers. We believe this approach could be considered as a complement to either option 1 or 2.

On balance we prefer the first option, provided the concerns we raise are addressed. We believe both options 1 and 2 could be done in combination with option 3. In all cases, implementation of any of these options should be reinforced by measures and interventions as explored in the wider end-to-end review.

**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 connection times, a more effective overall connections process in RIIO ET3, and drive behaviours that have a positive long-term impact on the network?**

The current standard of service across network companies is unacceptable and action is necessary to remedy this. We believe that in order to see improvements, interventions should focus on establishing a reasonable standard of service and penalising licensees where these are not reached. This should include financial penalties for clear examples of poor performance, where there is a detriment to the connecting customer. Once this acceptable standard is in place, we then agree rewards should be considered to incentivise companies to exceed this standard. An overt focus on rewards now, risks establishing practices which should be normal, as exceptional performance.

In the first instance, the incentive(s) should be two-sided i.e. there should be the opportunity for both rewards and penalties depending on company performance. Further, given companies are generally performing below the standards that stakeholders expect, we recommend that the marginal incentive power on the downside is stronger. This is likely to encourage companies to meet baseline expectations as quickly as possible. Ofgem should also ensure that activities within scope of the connections incentive(s) are not in scope of other incentives within the price control.