

15 January 2025

To:

Connections Reform Consultation Team
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Subject: Response to Connections End-to-End Review Consultation – RIIO T3 – Electricity Transmission Network Incentivisation

Dear Sir/Madam,

The Energy Networks Association is pleased to provide our response to the RIIO T3 – Electricity Transmission Network Incentivisation questions as part of Ofgem's Connections End-to-End Review Consultation. We welcome the opportunity to provide our feedback on this important discussion and provide our insights on the proposed ideas.

We support the principle of incentivising network companies to deliver high-quality service and timely connections. For RIIO-T3, we believe that a review of the existing connection-related incentives is necessary to ensure they are better targeted and aligned with the roles and responsibilities that will endure post-reforms.

We also support Ofgem's position that a connections incentive should have financial impact, offer opportunities for penalty and reward, drive long-term benefits by encouraging timely connection of new low carbon generation, and require actions within the control of the incentivised party. However, we believe there are additional criteria to Ofgem's requirements for good incentive design, that are equally important.

We do not believe that Ofgem's current ideas laid out in the consultation adequately meet these requirements. It is important that any incentive designed to encourage high-quality service and timely connections works alongside the package of funding for connections-related investment in the network and takes into account the enduring regime post the current reform process.

We look forward to working together to ensure that any regulatory changes are in the best interest of customers and the industry. We also look forward to providing further responses to the other questions in the Connections End-to-End Review Consultation by the revised deadline.

Thank you for considering our response.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Kyle Smith", is located below the "Yours faithfully," text.

Kyle Smith
Head of Connections

RIO 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.

ENA members support incentives on network companies to drive quality service and timely delivery of connections. For RIO-T3, we support a review of the existing connection related incentives as they can be better targeted and need revising to ensure alignment with roles and responsibilities that will endure post reforms.

The table below provides a summary of views on the positives and negatives of the three ideas put forward by Ofgem. We consider that none of the ideas meet the requirements of a good incentive design. We discuss these requirements in response to Question 8b.

In considering connection incentives for RIO-ED3 the fact that parts of the market are open to competition will need to be accounted for in incentive design.

Idea	Positives	Negatives
Post price control performance review	<ul style="list-style-type: none"> Retains a link to customers' views if a survey element is included. 	<ul style="list-style-type: none"> Performance (at least in part) would be based on Ofgem's views, which could be subjective, rather than measurable results. Unclear if respective roles of TOs, NESO and DNOs could be adequately separated in perceiving positive or poor performance. Range of metrics suggested would require considerable work to set baselines. Driving consumer value through incentives means acting on the signals the incentive provides but those signals would be very weak if the results are not known until some time after the price control period.
Connection timeframes	<ul style="list-style-type: none"> Performance is measurable. Meets the requirement to deliver consumer value because there is a link between delivering on time/early and driving value for the connecting customer and the wider consumer base if it supports decarbonisation and energy security. 	<ul style="list-style-type: none"> Practicality of development constrained by the fact that there is no standard project length on which to set a benchmark timeline. There are many variables determining project length, some within and some out with a network operator's control. Categorisation would not resolve this given the variables at play and the level of control over those variables, e.g. customers' timelines, planning

Idea	Positives	Negatives
		<p>and consenting, access to supply chain.</p> <ul style="list-style-type: none"> • Separate assessments would likely be needed for all projects which would create regulatory burden for TOs and Ofgem.
Supergrid transformer (SGT) capacity	<ul style="list-style-type: none"> • Performance is measurable. 	<ul style="list-style-type: none"> • Creates a perverse incentive to deploy SGTs based on a benchmark set in advance rather than responding to customer need which may ultimately require less build (as SGT capacity is not required for every connection). • Creates an incentive to favour a capex solution when alternative opex solutions exist which can reduce the cost and time for connections. • Rewarding deploying more capacity than outlined in plans could be perceived as rewarding TOs for deploying more assets than is necessary to deliver their plans with the cost of the investment and the incentive passed on to consumers. • Focusing solely on SGT capacity does not address the need for timely connection of generation and demand to the transmission network.

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 support Ofgem's position that a connections incentive should: have financial impact; offer opportunity for penalty and reward; drive long-term benefits by encouraging timely connection of new low carbon generation; and require actions (to lesser and greater extents) that are within the control of the incentivised party. In addition to Ofgem's requirements for good incentive design, we consider the following criteria equally important:

- Actions taken because of the incentive drive consumer value by aligning network operator priorities with consumers'.
- The incentive is additive and distinct from other regulatory requirements.
- The performance outcome desired must be capable of being measurable.
- The incentivised party should be able to control the outcome through the actions it takes.
- There should be a reasonable probability of a reward if positive actions are taken.

We do not, as per our response to Question 8a, consider that Ofgem's ideas adequately meet these requirements. Important in the design of an incentive to encourage high quality service and timely connections will be ensuring that any incentive works alongside the package of funding for connections related investment in the network and takes into account the enduring regime post the current reform process.