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Alistair Macmillan
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Ofgem
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Dear Alistair,

Response to Ofgem Connections End to end Review: Consultation

Enso Energy and its partners have a significant portfolio of projects connecting at transmission level in England & Wales (approx. 40 projects). We are committed to bringing our portfolio of renewable energy and storage projects to market to support Net Zero.

The connection process is a significant element that must be navigated to bring our projects to market and, as seasoned developers, we welcome the opportunity to share our experience and thoughts of the existing process and how networks could be more appropriately regulated in this process.

Our Position

An effectively functioning connection process, with fair and balanced obligations on all parties involved, is a key factor in driving the investment in generation and storage required to enable the county to meet its Net Zero ambitions. Process failures, that drive frustration, developer costs, and more importantly, impact investor confidence, put that ambition at risk. Therefore, it is essential that, following the significant new obligations to be imposed on developers as part of connection reform, network companies and NESO are incentivised to develop and manage a connection process that provides clarity and certainty for developers as they navigate these new connection obligations. It is important that the RIIO-T3/D3 price controls and associated incentives drive this behaviour.

Response to Individual 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?

We agree that the main issues associated with data visibility has been captured. The very limited ability to engage informally with either the DNO(s), TO(s) or NESO prior to making an application means that Users are forced to use the application process as an information discovery exercise. This has the perverse consequence

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of forcing the DNO, TO and NESO to clock start applications, with the associated administrative burden, when better understanding of the potential opportunities, either via clear self-serve data or informal discussion, would be more efficient for all parties.

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?

Yes

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?

Portfolio developers look at many different aspects when determining the best place to develop a project and make the associated connection application. This often involves the comparison of opportunities across different DNO jurisdictions. Therefore, it is important that these comparisons are undertaken on a common basis. We would advocate that this data needs common standards to better facilitate this analysis. Simply producing guidance is not adequate in this situation.

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?

Yes, we agree with this proposal. We are a little concerned that the ENA, effectively a network company trade body funded by its members, could have some inclusion in setting or managing standards in data provision. This would appear to be a conflict of interest, and in our view based on what we have observed in relation to the ENA coordination of DNO process development for CP2030, quite opaque to the wider market.

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?

Existing connection data, such as that published on the TEC register and DNO embedded registers, are quite inaccurate. As the connection queue reduces and changes over the next 9 months, it is vitality important that Developers have access to accurate up-to-date information for projects that are defined as strategically required, the makeup of their installed capacity and their connection date. It is also important to publish the changes to network system upgrades that occur because of this connection reform exercise. This is often a key consideration for Developers when evaluating future curtailment estimates.

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.

Given the introduction of CP2030 quotas and the significant lead time and cost before which Users making connection applications will know whether their connection has been deemed strategically required, it is important that Users have as much information as possible. Therefore, anonymised regional values of projects installed capacities, and associated TEC, should be published.

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

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No

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?

As a portfolio developer, we suspect we are not alone, in finding the connection process challenging and the quality of service something that needs to be significantly improved.

Our experience of issues stems across the connection process….

- Delayed clock-start on connection applications and ModApps often with no discernible reason
- Inability to secure access to TO design engineers in a timely manner, or inability to get TO's to share their proposed connection design (FEED) in a timely manner for Users to do their own FEED and meet the required connection milestones.
- Arbitrary changes in point of connection, or changes in substation location, with no consultation or any consideration that this will force us to replan and negotiate new cable easements.
- As transmission Users, it is challenging to get distribution networks to assess any Third-Party Works in a timely manner. Some DNO's do not have a documented process on how to assess this and insist we register as DNO connectees. It is not unusual to wait over a year to get a response from the DNO.
    - In one example they stated it was too hard to assess, and initially provided an inaccurate assessment using generator models that don't match transmission connected generator obligations. This took considerable time and resourse to resolve.
    - On one occasion we have effectively been used as leverage in a dispute between the DNO and NESO in terms of GSP allocated capacity. It was not clear a route of escalation existed in these circumstances.

Whilst potentially outside of the scope of this consultation, it is also worth noting that the BCA is one of the most one-sided contracts we have seen. The imbalance in rights and obligations of the two parties, would not be accepted in a competitive market and is only reluctantly signed due to the lack of other options in a monopoly environment.

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? 77 Consultation – Connections end-to-end review – consultation

Whilst a step in the right direction, it is unclear how impactful a principle-based licence condition would be on incentivising network companies to improve the connection process for users. These principles could be quite abstract, and it could be left for networks to interpret what this meant in terms of performance. There is a risk that this would lead to uncertainty for the Networks and continued Frustration for Users.

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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?

Holding network Companies to minimum standards of service throughout the connection process would provide Users with more confidence that they could progress their own project decisions in a timely way to meet their own Queue Management obligations. Clear expectation of when network companies would be finalising decisions and providing essential documentation such as Design, FEED, which are often required for the User to finalise their own project designs, are necessarily for User projects to stay on track.

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?

We believe the existing obligations should remain and be added to as per the proposals in this consultation.

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

There is a repeated theme in the narrative of this consultation suggesting that obligations on NESO and the Network companies should not be too onerous due to the high workload they are experiencing and the limited time in which they must deliver those obligations that currently do have a time limit. We believe this point should not have a disproportionate impact of Ofgem conclusions for two reasons,

1. Under proposed connection reform process, the transmission Companies will have approx. 6 to 8 months to undertake a network assessment and its interaction with other projects via the Gate 2 mechanism. network companies will be able to plan for this workload and this should be adequate to provide a good, well-developed offer.
2. After the initial connection reform Gate 2 process, in approx. May 2025, it is anticipated that the volume of connections applied for will diminish significantly as the majority of CP2030 quotas will have been filled.

As to the concern that networks would be more conservative in their estimates to undertake certain work, this is a behaviour only a monopoly can employ with impunity, given that Users have no alternative options to compare against. Ofgem should monitor this activity and identify network companies that are consistently stretching timeframes to meet price control KPI's.

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?

Yes - We agree with the issues highlighted

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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?

Whilst a step in the right direction, it is unclear how impactful a principle-based licence condition would be on incentivising network companies to improve the connection process for users. These principles could be quite abstract, and it could be left for networks to interpret what this meant in terms of performance. There is a risk that this would lead to uncertainty for the networks and continued frustration for Users.

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?

We have some concern that network companies will always find a plausible external reason to justify a delay to a connection date. For instance, commissioning outages need to be negotiated between DNO/TO/NESO and in the future, potentially, the DSO. This provides an opportunity for obfuscation and finger pointing which could be difficult to unravel.

Whilst not perfect, one option would be for network companies to present connection milestones, like those of Queue management milestones, for all stages of a connection project including connection date.

- This could include the date the connection design would be shared
- The date any necessary equipment was to be ordered from OEM's (taking account of understanding of equipment lead times)
- network companies would be allowed a cumulative tolerance of 6 months to allow them some leeway to recover from plan setbacks.
- Any changes to the plan up to the value of the tolerance would need to be communicated to the customer immediately
- Any changes beyond the tolerance would need to be reported to Ofgem

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?

The existing obligations in network Companies Licences, those of "Best Endeavours" and "All Reasonable Endeavours" have significant weight and yet Users often experience connection delays for reasons which we would argue do not meet this legal threshold. With liquidated damages set to £0, there is little point in users pursuing the matter, as there will be no direct remedy for the delay. Reasons for delays are not often clear or forth coming and we have not seen any instances of network companies self-declaring licence breeches based on the existing obligations.

We are also concerned, given the value of the price controls and associated incentives that network Companies are likely to receive for RIIO-T3/D3, that KPI impacts for individual connection delays will not have any tangible impact on network revenue streams. Experience has shown that the regulators are difficult to engage on these individual events.

Therefore, developers find pursuit of this issue difficult, time consuming and with no recourse for their project. Therefore, without a financial instrument that provides recourse to individual customers and incentivises them

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to highlight the issues we are concerned that stronger or more precise language in network licences will have very little impact on performance. Therefore, we would support the introduction of some form of financial instrument.

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?

Whilst we welcome Ofgem's proposal to set more explicit requirements on TO's/DNO's and NESO to meet the agreed contracted connection dates for their paying customers, it is also important that there is effective monitoring of these obligations, and that remedy is provided for the user impacted by the delay beyond an impact on the network companies' incentives. Given the size of the network companies' likely investment in RIIO-3, we do not believe the consequences for any individual connection date delay will invoke a process performance improvement.

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? Proposals: 78 Consultation – Connections end-to-end review – consultation

Poor quality connection offers and ModApps are a significant issue and lead to considerable time, effort and expense on the part of developers in getting them resolved.

Examples of this include.

- ModApps requesting removal of staging where the staging remains
- ModApps requesting change in date where the original date remains
- Inaccurate TEC values
- Missing or inaccurate technical details in appendices
- Wrong connection point/substation named in documentation
- Cut and paste from other connection offers, where the original applicants' details and project information remain. It often appears the documentation has not been sense checked before being issued

Once these errors are highlighted, Post Offer Negotiation (PON) can take months to be resolved. This can have significant implications as often a valid connection offer is a prerequisite for capex investment. Delays in resolving connection documentation issues can jeopardise securing project financing.

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?

Whilst a step in the right direction, it is unclear how impactful a principle-based licence condition would be on incentivising network companies to improv the connection process for users. These principles could be quite abstract, and it could be left for networks to interpret what this meant in terms of performance. There is a risk that this would lead to uncertainty for the networks and continued frustration for Users.

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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?

- network companies & NESO should be obliged to report the number of times an offer had to be reissued due to their errors and the time it took to reissue the offer.
- If reissued offers still contained errors, these should hold greater weight in any KPI or penalty mechanism
- Targets should be set on the number of times offers were reissued (counting the number of individual errors in an offer would be open to interpretation, time consuming and problematic to manage)

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

We consider a high-quality offer would include….

- All the information is accurate
- There is no information missing from the offer or any of its appendices
- The User should not be surprised by any of the technical elements in the offer, such as those for non-firm connections
- The approximate value of the connection costs/liabilities should be expected, having been discussed before hand
- The approximate connection date in the offer should not be a surprise, having been discussed beforehand.

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

No

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 agree with the issues highlighted in Theme 5 of the consultation

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?

We believe the challenge, as in many of the proposals in the consultation, is how to ensure that network companies are adhering to, both, the letter and the spirit of the licence obligations. One option might be to set targets on connections lead times and require the network companies to provide evidence on why these targets could not be met on a case-by-case basis.

It might also me worth exploring whether incentives to reduce the average lead times offered to users could be encouraged. However, we accept these would need to be thought through to minimise unintended

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consequences. It might be prudent for this issue to explore a principles-based approach. Targets could get complicated and require a significant number of exception clauses to be effective.

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

We have no further comments

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 have no comments on the minor connections process

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 have no comments on the minor connections process

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 have no comments on the minor connections process

Theme 7 - Provisions and guidance for determinations 79 Consultation – Connections end-to-end review – consultation

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 agree with the issues raised under Theme 7 of the consultation. One area where we would encourage clarity is in situations where there is no direct contractual relationship between the user and the network company but where the network monopoly has the power to block the progress of a generation project.

A transmission BCA obliges a transmission applicant to ask an electrically close DNO if they believe this connection will lead to a need for Third Party Works (TPW) on their network.

We hope, the proposals under theme 2 of this consultation will improve the structure, clarity and timeliness of this process. However, there remains a risk that the transmission applicant does not agree with the response provided. In that case we would hope that the guidance would indicate how the applicant could progress this issue with Ofgem. Given there would be no contractual relationship with the DNO in this instance, it is not clear that there would be an initial company disputes process that the applicant could follow prior to reporting to Ofgem.

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

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We agree it would be prudent to review the provisions and guidance for determination.

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

We have no further thoughts on this issue

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

This approach would provide a wider perspective of the elements of the connection process and how well network companies have managed them.

However, the initial proposal suggests this information will only be provided to the network companies at the end of the price control period. Therefore, for them to track progress and respond in a timely manner they would need to track metric performance as they progressed. This might limit the ability to use qualitative metrics and provide the wider perspective hoped for. As such we think this is a good approach in principle but have some concerns over its practicality in practice.

Connection Timeframes

Whilst this may present some challenges, we believe it is important that RIIOT3/D3 incentives do include some element of project specific connection process performance. We are concerned that without measuring performance at this level of granularity, the focus of the incentive will be lost in the strategy to maximise incentive return.

Supergrid Transformer Capacity

This approach would incentive transmission networks to build more capacity which in turn would be made available to connecting projects. However, it is important that the incentive is developed in a way that it doesn't favour certain connection voltages. If SGT expansion is predominately focused on the expansion of GSP interfaces with Distribution companies, it might inappropriately focus development in those areas at the expense of transmission connected applications.

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 RIIOET3 and drive behaviours that have a positive long-term impact on the network?

No. We have no further comments on his issues.

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Yours Sincerely

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