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Our ref: TC/Connections E2E

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By email only to [Connections@ofgem.gov.uk](mailto:Connections@ofgem.gov.uk)

Dear Alasdair

We welcome the opportunity to respond to your consultation setting out Ofgem's views of the proposed changes to the regulatory framework which supports the end-to-end connection process.

BUUK are the leading multi-utility network provider and operate licensed distribution businesses through subsidiaries, the Electricity Network Company Limited and Independent Power Networks Limited. We also operate independent connection provider (ICP) business through separate subsidiaries, GTC Infrastructure and PowerOn. BUUK also operates connection businesses and utility networks across gas, water, telecoms and district heating and this breadth of operation gives a unique perspective across a range of regulatory frameworks for connections.

Detailed answers to the questions that Ofgem have asked, where we are able to provide specific input, are appended to this letter. It is well known and understood that UK energy networks are on the verge of a generational change and that substantial development is going to be required on the part of the electricity networks to contribute to that change. It is important that Ofgem sets out a framework for the end-to-end connections process which allows customers to achieve certainty, clarity and the lowest overall costs to both connections and use of system customers.

We welcome Ofgem's view that the requirements on connection parties have become asymmetrical with the obligations which are placed on network companies and that network companies need to do more to provide higher quality connection offers, and a better customer experience of the connections process.

Competition has been proven, in a range of scenarios and industries, to be the most effective and efficient way of protecting, and maximising value for, consumers. We are concerned that Ofgem's review into the end-to-end connections process does not fully consider these benefits and, in some places, may put in place requirements which have the unintended consequence of stifling competition. Ofgem's review, and the associated obligations which come out of it, should not seek to replace competition or provide an alternative to competition. Obligations

arising should only be applicable to non-contestable elements of connection works to ensure a level playing field for all types of competitive connections.

Generally, and in light of the above statement application of obligations to non-contestable works only, we do not believe that principle-based obligations are likely to be as effective in the connections market. When considering the requirements for networks to offer connections to customers, there are clear and tangible deliverables which should be set out in a prescriptive obligation placed on network companies. Many connection customers work across GB and we are concerned that principle based obligations may be interpreted inconsistently, or which inconsistent outputs, which makes it more difficult for connection customers to make applications to multiple parties in the course of doing business.

We would be pleased to engage further with Ofgem in their development of the RIIO-ED3 price control framework and should you have any questions on the contents of this response then please contact me.

Yours Sincerely,

Thomas Cadge

Head of Regulatory External Affairs

***Q1a. 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 issues under this theme that we should consider or be aware of?***

We agree with the issues set out in Theme 1, visibility and accuracy of connections data and network capacity are likely to increase customers' ability to improve their connection applications and/or make decisions about how and when they apply to networks for connections. We believe that there should be an additional theme added to this, consistency of connections data and network capacity. It is important to establish consistency of data at this stage to ensure that Ofgem's desire for a single source of connections data can be realised in the future. It is important that customers who work across the boundary between transmission and distribution, or those who work nationally across DNO borders are presented with information in a consistent format. Inconsistencies may exacerbate the issues currently manifesting insofar as customers may misread or misunderstand the information being published.

***Q1b-d. Do you agree with proposal 1a, 1b, and 1c.***

Yes, we agree that these proposals will be beneficial for connection customers and for network companies.

***Q1e. 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***

Each DNO has their own processes and formats and will provide certain levels of data and guidance, but customers often do not have the ability to optioneer depending on their requirements. For example, it would be invaluable to understand where customers can connect, what loads are available, and what impending future connections there are. Some DNOs are actively working on improving the content and availability of their data but currently, all DNOs struggle with the data that they provide. Ideally, our preference would be to self-serve to the point of connection (POC), which would ensure that the customer has the ability to manage and improve their timescales, and it would ultimately benefit the DNOs, enabling them to free up their own resource, which is currently constrained.

This is an issue which we previously raised in relation to connection offer expenses and customers' ability to avoid that cost through undertaking their own assessment. At that time we highlighted to Ofgem that in the spirit of fairness and transparency we should be allowed access to the data, but that it was not available in a format that would enable us to self-serve. Regrettably, the necessary data is still not available in any meaningful or fully actionable way.

***Q1f. 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 to appropriate levels / anonymising it etc.***

We are unaware of any data which have not been published or cannot be published for legal reasons which would enable us to make more effective connection applications.

***Q1g. Is there anything else regarding Theme 1 – Visibility and accuracy of connections data and network capacity that you consider we have missed?***

There is nothing which we believe that Ofgem have missed that we have not referred to earlier in our answers.

***Q2a. 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 are other issues under this these that we should consider or be aware of?***

We agree that there is inconsistency in standards of service along the customer journey and that this is a real issue. This is illustrated/exacerbated by the surveying areas in the Major Connections Incentive under RIIO-ED2 which surveys customers at quotation and final connection points but misses the vast majority of the customer's journey between those points. This may lead DNOs to focus on improvements in those areas being monitored. Moreover, since the introduction of the Major Connections Incentive, we have seen a reduction of service in DNO areas, as in some cases, they appear to be focusing on the limited scope of the areas which will impact survey results, rather than an all-round customer improvement of connections.

We are also aware that the transmission and distribution boundary, and the inconsistency with which this is treated by different DNOs, can cause significant issues. More generally we believe that there are inconsistencies around cost treatment, such as how transmission reinforcement is funded in respect of distribution customers, and the costs for submission of a mod app by the DNO, which are unnecessarily inhibiting distribution connections.

***Q2b & 2c. Do you have any views on proposal 2a or 2b***

Our view is that principles-based licence conditions are likely to continue to lead to inconsistent outcomes for connection customers and that they are not well suited to the provision of connections. Network providers expect connection customers to be able to provide specific pieces of information and, in some cases, to meet milestones for the progression of connections. It is proportionate that similar requirements should be placed on networks and these requirements can, and should, be distinct, clear and defined through prescriptive conditions.

These should be implemented through licence conditions setting out the required standards of service for connection activities.

***Q2d. Do you consider that any of the existing standards of service requirements set out in the regulatory framework for the 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 addresses?***

There is currently inconsistency between the guaranteed standards of service set out in secondary legislation and the standards of service required by the licence for the provision of quotations. We believe that this inconsistency is unhelpful, and it does not provide clarity for connection customers about the timescale in which they would expect to receive their quotes and the consequences for failure to meet those timescales.

***Q2e. 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.***

Ofgem have noted, in the consultation document, that IDNOs and ICPs compete with DNOs for the provision and adoption of connections to the distribution network. It is important to note that any principles based or prescriptive obligations must be cognisant of the positive impact that this competition has had on the end to end journey of connections customers and should not seek to replicate competition as doing so would be distortive, prevent innovation and have an overall net negative impact on the provision of new connections.

It is also worth considering the responsibility for an improvement of relationships and interaction post energisation. These would include better and more comprehensive communication, particularly during fault related incidents, and the availability of, and willingness to provide and share any relevant data in a timely manner.

***Q3a. Do you agree with the issues we have set out under Theme 3 – Requirement on network 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 broadly agree with the issues identified and agree with the arguments made to Ofgem that the requirements placed on connection customers are asymmetrical to those placed on the network party. This asymmetry includes, as identified, the potential lack of recourse for the vast majority of connection customers that is meaningful and proportionate to their project. We recognise the GSOP payments in place but these are only effective for small connections as their value is insignificant in comparison to the costs of delays being faced by large generation or demand connection customers.

We believe that there should be proportionate requirements on network companies and NESO to meet agreed customer connection dates in connection agreements that are commensurate with those for developers to meet project milestones, and as mentioned in Q2a, possibly covered by a Guaranteed Standards type arrangement.

***Q3b-d. Do you have any views on proposals 31, 3b or 3c?***

We believe, as with Theme 2 above that connection customers should be able to rely on a set of prescriptive requirements that clearly set out the standards to which distributors and/or transmission operators will be held.

We believe that the potential for financial recourse is relevant, but there are significant issues which need to be considered before this type of scheme could be implemented. We note the contents of Theme 5 around the ambition of connection offers but we are concerned that this ambition would be stifled by the introduction of a scheme which gives financial recourse for missed connection dates as it will incentivise DNOs and TOs to provide conservative connection dates for all customers. It also have the potential to adversely impact competition as connection customers would view this type of financial recourse as 'insurance' against their connections not being provided. Any service improvements in respect of delivery timescales which can be delivered through competition should be delivered through competition and Ofgem should not seek to distort or prevent such competition.

***Q3e. is there anything else regarding Theme 3 – Requirement on networks to meet connections dates in connection agreements that you consider we have missed?***

As with the previous theme, and as per the comments in the above question, we think that it is important that Ofgem remains cognisant of the value that competition can bring to connection customers. Competition has consistently been shown to be the most effective way of improving the end-to-end customer journey. We note that the government has set out, in its response to the Environmental Audit Committee's report on "Enabling Sustainable Electrification of the Economy"<sup>1</sup> that they see the benefits on competition at distribution voltages.

***Q4a. 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?***

Quality of connection offers is an issue which has become increasingly important in recent years, a trend which we anticipate is likely to continue with increasing volumes of offers and increasing complexity of connection applications and the state of the network being more constrained.

One issue which we think it might be worth highlighting is that, although the MCI deals with satisfaction of connection offers, it is likely that at the point the offer is received, and the survey is undertaken, that the connection customer will not know whether or not the offer is high quality. An offer full of detail, with apparent transparency may turn out to be based on an inaccurate assessment of the networks and the works required to make the connection which will only be known at a later date. We have seen several recent examples, which can be shared with Ofgem confidentially, of occasions where we have seen significant increases in the cost of the connection offer for works which should have been foreseeable at the time of original offer. This problem is particularly frustrating where we, or any customer, have paid the DNO a connection offer expense to undertake a detailed study and design.

***Q4b and c. Do you have any views on proposal 4a or 4b?***

We believe that prescriptive minimum standards for a connection offer quality are likely to be the most effective solution and that a principles based licence condition will lead to inconsistencies across DNOs which is inherently more difficult for customers to deal with.

Whichever approach that Ofgem chooses to take, there needs to be recourse to retrospectively assess the quality of the connection offer. As we have highlighted in our previous answer, it is important to note that quality of an offer may only be fully assessed once all the works are undertaken.

***Q4d. What do you consider would constitute a 'high quality offer'?***

A high quality connection offer is one which sets out, in simple terms, the cost and timescales for the provision of the connection and is based on costs and timescales on which the customer can rely to be accurate and not subject to change which could be reasonably foreseen at the time of the offer. In essence, it is one where we, and our customer, are at no, or limited risk of excessive, increased costs and where we have surety that we are being provided with the

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<sup>1</sup> <https://committees.parliament.uk/publications/46114/documents/229715/default/>

safest, minimum cost solution with transparency of all known associated risks. This is pertinent when third party land rights are required, and we are being offered a POC where the rights have not been or can never be obtained. Visibility of this type of information would allow us the opportunity to request a second POC, where rights are or can easily be secured so that the customer can make the choice based on a more holistic understanding of the risks involved.

Further detail about the exact nature of the work and the programme of works can be included in an appendix to the offer to allow the customer to undertake their own assessment and plan their own supporting programme of works.

***Q4e. Is there anything else regarding Theme 4 - Quality of connection offers and associated documentation that you consider we have missed?***

Thought should be given to a set of standards that ensures realistic project management with a focus on an obligation to manage change appropriately. This should include provision of achievable dates, communication of concerns, changes or variations that have been identified, followed by suitable and mutually agreed resolutions which are worked through with the customer.

***Q5a - 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 that network companies are likely to be incentivised to provide conservative connection dates to ensure that they are not penalised. In many cases, this conservatism is not a de facto issue as connection customers plan their work years in advance and are increasingly seeking earlier connection offers as they are becoming aware of the potential for network constraints to delay connections.

One of the issues that has not been discussed is the potential to increasingly use ramped capacity offers to mitigate the issues of ambition. Many customers would be comfortable with clarity on the final connection date being conservative if they knew that they could have at least some access to the network during their build programme. This is true of many connection types with very few customers likely to go to 100% capacity on the first day of their connection being energised.

***Q5b. 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?***

In this instance, we can see the value in a principles based licence condition which incentivises network companies to offer the earliest achievable date. However, we think that this needs to be in discussion with the customers and that customers who provide clarity and detail about when their connection is required should be able to opt for a conservative connection date where there is a higher degree of certainty that the date will be met by the network.

***Q5c. Is there anything else regarding Theme 5 - Ambition of connection offers that you consider we have missed?***

There is nothing which has been missed which has not been discussed in answers to our previous questions.

***Q6 – We have not provided answers to the questions on Theme 6 as we believe that other responses are more likely to have more direct experience on minor connections.***

***Q7a - 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 do not agree that the threat of a determination can be used as a bargaining tool by an impacted party. Where a party 'threatens' a determination then it is within the gift of the opposing party to make a reasonable assessment of the case and determine whether they have acted in accordance with the regulatory framework. We do not believe that this is particularly onerous on any party as they ought to be undertaking work within their organisations to ensure that they are doing this in any case. The threat of a determination should be something, where there is any uncertainty, that parties welcome as an opportunity to clarify points.

We are unaware of the magnitude of the other issues which Ofgem sets out in respect of premature approaches for determination and expectations of redress but we agree that a revision in the guidance document, where it is needed to reflect the latest process, could help to clarify these points.

***Q7b. Do you have any views on proposal 7a (Ofgem to review the guidance for connection determinations)?***

This is a sensible solution to the issue of the guidance being old and, inevitably, out of step with the current connections process.

***Q7c. Is there anything else regarding Theme 7 - Provisions and guidance for determinations***

It is paramount that the opportunity for parties to raise determinations is retained and openly available. We recognise that this is likely to place a resource requirement on Ofgem at a time where connection determinations may increase, but it is important that there is a process for aggrieved parties to follow. The regulatory framework is not always clear in all the circumstances and there are scenarios which come to light that were not considered when policies or frameworks were drafted and which do not fit neatly into the existing rules. Ofgem's ability to determine provides future clarity on those circumstances and can, in some cases, reduce the total industry resource required to lobby for clarity and the process for raising changes to the DCUSA or CUSC can be streamlined by determinations setting expectation (albeit not binding).