

Received by email from BanksGroup

Dear Ms Rossington

Please find below our contribution to your consultation process. Thank you for the opportunity to put forward our views.

C3:

Q1. We feel that the engagement approach that Ofgem are pursuing is admirable, of use and a marked improvement over recent years.

Q2. Some DNOs are proving to be very open to engagement, others less so. We appreciate the DNOs time and resources are finite and open to abuse and so we propose a passive engagement process for key items to go in hand with active DNO engagement, to include:

- The publishing of network load and limitation (fault levels etc) data down to 11kV via GIS to allow in house or accurate third party optioneering and avoid unscrupulous developers using the connection application and budget estimate process to assess connection options.
- The publishing of connection applications (akin to planning applications) to assess long term line viability and help developers assess line competition.
- The publishing of proposed upgrades and desirable upgrades for better forward planning and allow developers to contribute to the DNOs aspirations to the benefit of the bill payers purse.
- Allow a charge to be levied for budget estimate and connection applications to dissuade abuse.

C4:

Q1 and Q2. Moving to an eight year price control period with such a different framework as RII0-ED1 is questionable although we respect the aim to provide certainty during such a period of flux. Ofgem will need to be careful that the process is under enough scrutiny that prices and charging does not spiral and equally that DNOs are not left unable to deliver through financial suffocation. One might have proposed that a five year period would suffice until ED2?

Q3. In allowing margins to be charged on certain DNO works, it should be licensed that profits should be reinvested in the DNOs infrastructure or improvement programmes or to offset consumer charging / fuel poverty initiatives.

There is a particular need for transparency and proportionally in connection charging at both the distribution and transmission level and particularly the need for fair connection deposits and we welcome the proposed move to staged payments for these items.

C5:

Q1 and Q2. We think that the range of outputs and incentives is at the correct level. It's important that they are developed and defined into precise deliverables and that those are ambitious, published and measurable. It should be realised what private companies can contribute in assisting DNOs to achieve these outputs.

Q3. Taking each output in turn:

- Safety – with the increase in distributed generation and more developers outsourcing contestable works, DNO engagement with developers will be beneficial. DNOs making available standard details and specifications as well as site design considerations will be to the benefit of all parties.
- Environmental Impact / Social Obligations – Areas with which private developers and DNOs can work together include:

- a. Recognising the role that distributed generation can play in reducing transmission losses and the associated environmental impacts.
 - b. Assisting developers in identifying sites where demand and capacity exists and actively supporting sites through the planning process where the development improves the local network.
 - c. Working with developers to provide or contribute to smart metering near developments and incentivising local generation and local consumption.
 - d. Recognising the commitment to the UK's energy future that local communities make by permitting development of renewable schemes nearby and incentivising local buy in such as demonstrated by SSE's NINES project.
- Customer Satisfaction – Recognise the potential in distributed generation in supporting communities in wider outages by allowing 'Islanding' in a controlled way and make the required changes in Engineering Guidance to accommodate this (in a safe way). Foster local community involvement in DG schemes by assisting developers in promoting local projects with local benefits. Promote EV use by gradually moving fleets to electric or hybrids.
 - Connections – Publishing the network information in C3Q2 above to free up resources for real connection applications. Ensure connection process is clear and costings fair, staged and transparent. We commend the inclusion of incentivising prompt connection and levy penalties in favour of the smaller connection customers due to delay.
 - Social Obligations - Coupled to the previous three points, DNOs should not be too insular in addressing the social issues surrounding fuel poverty, vulnerable sectors of society etc. There are many agencies and initiatives working already and working together can only increase our effectiveness and maximise value.
 - Reliability and Availability – It needs to be stressed and further explored how DG can contribute in outages and reducing the DNOs penalty for lost customer minutes and interruptions. The DNO fault history data and load index should be published in the interests of public scrutiny, third party assessment and to see where DG developers can assist in the targeted reinforcement of the grid in connecting developments.

C6:

Q1. Ofgem's responsibility is to oversee the DNO and ensure that the DNO fulfils its obligation to its stakeholders. If the cost assessment is considered robust enough to deliver on that responsibility and limit risk exposure to the customer then it is fit for purpose.

Q2. Proportionate treatment is sound in principle provided that enough attention is paid to both the original business plan, there are timely monitors of progress against that business plan and there are adequate measures to report problems and interventions that can be brought to bear. This is doubly important given the increased timescales that ED1 will apply over.

Q3. Careful attention should be given to the DNOs business plan regarding:

- Working to demand – Upgrading lines where demand for DG is high, or export is constrained is to the benefit of all.
- Innovation – A preparedness to innovate and not work to convention. If this is a true period of flux, then new methods of working, utilising equipment in new ways and aiming to deliver through innovation should be promoted. 'We've never done that before' should be an invitation to innovate rather than a rebuttal.
- Far-sited – The way people use energy is changing, the demand for local power will increase, people will start to use more EVs in the time period of ED1. DNOs must account for this and be realistic in what will be done to accommodate this and pursue it with vigour.

C7:

Q1: Innovation is perhaps the most important part of ED1, with the most potential for good and the most risk to waste money. The discontinuation of the LCN fund is perhaps premature given the range of projects still in development.

The Network Innovation Competition and its success will depend upon how much capital is allocated to it. In addition purely asking DNOs to lead on innovation is perhaps short sighted and allowing funding to businesses has merit – there are many Companies with great ideas but a lack of funding to progress them. Open the doors to anyone with an idea. Work with developers, successful developers are in business these days because they innovate and change, work with us.

Q2. We have no thoughts on the threshold. It depends upon the model pursued and if smaller, privately ran projects are accepted. DNO level works like £5 million NaS batteries have merit but so do domestic renewable heating systems.

The two year review period is commended given the incomplete LCN projects and will be a good point to review the other innovation schemes.

C8:

Q1, Q2 and Q3. Given the level of change within ED1 it is fair to allow more flexibility to account for 'the things we don't yet know' - items such as the impact of smart meters and works to enable such infrastructure. However, 'load related expenditure' and to a degree 'critical national infrastructure' are loose terms with multiple applications. Items that are foreseeable such as the grid demand increasing as a result of the electrification of transport and heating should be in the DNO business plan and not a trigger for a price control disconnect.

C9:

Q1, Q2 and Q3. Main points from a developers point of view:

- Asset life of 45 years is reasonable.
- It is prudent for the public purse that operational solutions are exhausted before capital works are promoted.

If you require any further detail on these points please feel free to contact me.

Kind regards
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BANKSGroup
development with care