



Making a positive difference
for energy consumers

The Rt Hon Matthew Hancock MP
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Dear Matthew,

Report on the enduring 'Connect and Manage' grid access regime

In 2010 we were asked to monitor, and report on, the impact of the enduring 'Connect and Manage' grid access regime, and this is our fifth report. It covers grid connection activities, constraint costs, carbon savings and measures to reduce constraint costs, for the period from 1 October 2013 to 30 September 2014.

Since our last report, the total number of connection agreements for large generation projects has increased from 163 to 201, with a total capacity of approximately 37,000MW. Connection dates have been brought forward by an average of five years under Connect and Manage regime, compared to the previous arrangements.

The total number of large generators connected to the system under the Connect and Manage regime has also increased from 15 to 23 with a total capacity of 1,408MW.

National Grid has told us that these large generation projects have resulted in almost 2,742,000 tonnes of carbon dioxide being saved to date.

National Grid has also provided information on constraint costs for large generation projects that have connected under Connect and Manage agreements. The 23 large generation projects connected under the regime have caused constraint costs of £69.4m in 2013/14. This is an increase of £47.2m since 2012/13, where constraint costs totalled £22.2m. We will continue to monitor these costs.

Since our last report in December 2013, National Grid has refined its modelling approach to estimating future constraint costs associated with the connect and manage regime. This,

combined with a larger than expected increase in the underlying numbers has resulted in a significant overall increase in its projections of constraint costs associated with connect and manage when compared to last year. National Grid's latest estimate for the period from 2014/15 to 2020/21 lies between £288m and £403m.

We have been implementing measures aimed, amongst other things, at minimising constraint costs, such as under our System Operator (SO) Incentive Scheme and the Transmission Constraint Licence Condition (TCLC). We also continue to work with the SO and the Transmission Owners on improvements to the Network Access Policies (NAPs) which aim to enhance coordination around network outages and hence reduce constraint costs.

Lastly, we are assessing the funding applications for major reinforcements to the transmission system under the Strategic Wider Works (SWW) arrangements and its predecessors. Once commissioned, these works will have a significant impact on reducing constraint costs.

Yours sincerely,

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