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07 May 2015

Dear Maxine

Quicker and More Efficient Distribution Connections

Scottish Renewables is the voice of the renewable energy industry in Scotland and is an organisation dedicated to securing the best possible environment for the growth of renewable energy in our country. We are working to deliver on the ambition of harnessing Scotland's abundant natural resources to secure a future that will deliver on jobs, investment and energy security, while helping mitigate the effects of climate change.

Allowing low carbon generation to connect to the distribution network not only helps to increase the energy mix, but can also reduce the need for network infrastructure and reduce transmission and distribution losses (if it is connected close to the point of use). For consumers, distributed generation has the potential to lower electricity bills where the energy is used on site and offers opportunities to generate revenue through selling unused generation to the network and through providing ancillary services.

Over recent years, grid connection has become a significant barrier to the deployment of renewable energy generation for developers and communities. In Scotland this is a particular issue where there are high levels of generation connected to the distribution network and significant upgrades planned on the transmission network (which begins at 132kV).

With this in mind, we strongly support Ofgem's decision to seek views on ways to improve the connection process for embedded generators. Overall, we support a number of the principles set out under options 1 to 4 and we would welcome further

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discussion to determine the most appropriate means of sharing information, improving stakeholder engagement and enabling viable commercial arrangements to allow greater uptake of anticipatory investment.

We hope that this consultation can be seen as the start of a constructive dialogue around enabling innovative solutions to facilitate low cost, timely and efficient connections for embedded generators.

Yours sincerely

Michael Rieley
Senior Policy Manager

Scenario 1: DNO funds (via DUoS) cost of anticipatory reinforcement (costs are socialised as no initial connection customer)

Scottish Renewables welcome further engagement to determine what information would be required to provide credible support for a network upgrade. In addition, it is our view that where a local authority is able and willing to support the need for strategic reinforcement, this should be given an appropriate level of consideration by both the DNO and Ofgem. Particularly where this stands to help change the current dynamic of reactive grid development towards a more strategic approach and improves the speed and efficiency of seeking new grid connections.

However, where it is possible to take forward anticipatory work it is our view that the complete socialisation of cost would be difficult to justify in most cases. Overall it is appropriate that the costs (and risks) should be targeted at those who benefit the most. However, there are times where socialisation could be considered to secure net benefits and this is particularly relevant to community based developments where the initial costs of connection can significantly undermine project development.

Questions:

Q1. Would a DNO be sufficiently confident about future connections demand and the benefits to DUoS customers to justify this approach? If so, in which circumstances?

It is unclear what evidence would be required to give DNO's sufficient confidence and we would encourage further discussion with generators, DNOs and relevant planning authorities in order to better understand what information would be required and how that can be best obtained.

Q2. What other barriers are there to DNOs taking this approach? How might these be overcome?

In our view the complete socialisation of costs would stand as a significant barrier to this option – this can be mitigated through the use of the second comer rule particularly if this were extended beyond the current 5 years, which can create conflicting incentives.

Scenario 2: DNO funds (via DUoS) cost of anticipatory reinforcement when initial connection takes place (to be reimbursed by subsequent connection customers)

Overall, scenario 2 appears to be the most viable option. Scottish Renewables supports the principle of creating a mechanism being to ultimately sign-off any proposed anticipatory investment, promote a strategic approach to network upgrades and improve sharing of information. Equally we can see merit in the funding mechanism that will recover the cost of connection as connection customers come forward.

We would suggest that increasing and maintaining the availability of network information to industry through live heat maps or capacity registers would help to mitigate the risk of stranded assets by directing developers to the most viable parts of the network.

Extending the second comer rule to cover the life time of the installed asset with appropriate depreciation costs applied would ensure best value for DUoS consumers and would allocate the costs fairly.

Questions:

Q3. What are your views on this type of approach and the RAV Buyback Model? Are there any elements which are essential, not required or should be changed - and why?

Scottish Renewables support the principles of the RAV Buyback model which essentially create a mechanism for the sign-off of anticipatory investment. However, it is important to note that there are lessons that can be learned from the Strategic Wider Works process which applies the same principles to the transmission network.

For example;

- When Ofgem are assessing alternative options' it is unclear how the technical and economic merits are weighed up or how wider benefits are treated.
- It is unclear where stakeholders other than the Transmission Owners can add value in the assessment process. For example should stakeholders be better included at the optioneering stage in order to help develop options based on their experience or is this best left to the TO's with other stakeholders limited to supporting a specific proposal at consultation.
- It is unclear how much weight is attributed to the need to meet the UK's renewable energy targets

We welcome the work of Ofgem to address many of these issues, it is important that they are resolved if the model is to work at a distribution level. A simplified, transparent and swift review process is called for to ensure that necessary anticipatory investment proposed by DNOs can commence in a timely manner.

Q4. Please give details of any projects or schemes this type of arrangement could have helped progress which would have not otherwise gone ahead?

Q5. What would justify requiring subsequent connection customers to only be able to connect to the new, enhanced part of the network?

There is some concern with this proposal. While we accept the need to promote the uptake of connections to a new part of the network, this must be done through providing the appropriate cost signal and transparency regarding the availability of generation capacity rather than placing a direct requirement on new generators.

Q6. What would justify a DNO charging a premium to subsequent connection customers to reimburse DUoS customers for the risk they bear in funding this work? What might be the impact of this? How should the premium be calculated?

We would strongly encourage greater engagement with industry to determine whether the application of a 'premium' is appropriate, given that it has the potential to increase cost for industry and consumers.

Q7. Over what time period would it be reasonable to expect DUoS customers to be reimbursed for their initial funding?

It appears appropriate that any such period should be over the lifetime of the asset particularly as this would avoid the potential to create disincentives for connection (i.e. delaying connection to avoid cost). However we would welcome further engagement with industry and network owners on this issue.

Q8. When might it be appropriate for a DNO to have an upfront revenue adjustment to cover this type of scheme? Or should existing mechanisms be used?

Q9. Do you consider that this approach would have any implications on competition in connections?

Currently reinforcement to existing network infrastructure can only be completed by the DNO so from this perspective there would be no impact on competition. In order to improve competition Ofgem should consider opening anticipatory reinforcement for the building of new assets up for competition.

Scenario 3: Connection customer funds cost of anticipatory reinforcement when initial connection takes place (to be reimbursed by subsequent connection customers)

We view this option as unlikely or needing a specific set of conditions to exist. This model introduces complexity which may well be to the detriment of future development or have other unforeseen consequences. We believe, for example, that it will be much harder for anything other than a conventional asset based solution to be considered. Smart solutions developed and funded through programmes such as LCNF would almost certainly not be able to be adopted in this model increasing overall cost.

Option 3 also discusses the consortium approach which we believe is simply a more formal means of stakeholder engagement where commitment rather than just sentiment is sought. The approach of robust stakeholder engagement and demonstration of commitment from developers if led and facilitated by the DNO makes sense for any of the options and applies to conventional or ANM investments.

Finally, it is our view that the proposal to allow the initial customer to stipulate the type of connection that may connect to the network is not appropriate and contrary to the overriding requirement of enabling economic, efficient and coordinated network connections.

Scenario 4.1: Reducing the need for reinforcement via network management

Scottish Renewables strongly support greater uptake of active management across the electricity network. It is our view that 'managed connections' are a well proven through a number of projects including;

- SSEPD: Orkney RPZ and NINES
- UKPN: Flexible Plug and Play and Norwich
- WPD: Lincolnshire Low Carbon Hub and Corby
- SPEN: Accelerating Renewable Connections

The application of this method of connecting distributed generation customer has shown significant scope to provide faster connections by removing the need for consenting and construction associated with traditional 'wired connections'. Equally, by removing the need for network reinforcement or upgrades these connections have proven the ability to reduce costs.

However, there is a growing concern that there is a growing inconsistency in the approach of DNO's across GB in implementing ANM solutions on their respective parts of the network. WPD and UKPN for example have published plans to roll-out ANM as a business as usual approach. However, others have reluctant to follow suit.

It is our understanding that current regulation is providing an unintended barrier to the development of ANM and managed connections because ANM is not currently considered as part of the Regulatory Asset Base (RAB). The majority of ANM schemes deployed to date have been to enable DG connections and all ANM costs have been passed through to the connecting customer. As a consequence it is not added to the Regulated Asset Base (RAB). We believe that the fundamental reason for slow progress on the wide scale adoption of managed connections is that DNOs believe there is insufficient return for them in comparison to constructing and operating a new asset over 40 years as part of their RAB. There is therefore limited incentive (beyond the licence obligation to deliver the Least Cost Technically Acceptable solution) to offer anything other than an asset based solution.

It is our understanding that some DNOs have been absorbing ANM costs into DUoS and others have been leveraging specific ongoing costs onto the generators, in the form of an 'ANM Fee'. This is one of the areas that has not been extensively assessed.

We would strongly encourage Ofgem to consider providing greater regulatory certainty in this regard, or creating an appropriate set of incentives/targets for greater uptake of ANM solutions. In particular we would welcome the consideration of a requirement on DNO's to set out which alternative options (including non-asset solutions) been considered when preparing the Least Cost Technically Acceptable connection offer.

Q17. What role, if any, could changes to engineering standards play in helping to accelerate the connections process without damaging reliability levels? In what circumstances would this be appropriate?

Scottish Renewables support the work of DNO's to review Engineering Recommendation P2/6. It is our view that the security standards as described in this recommendation should be revised to meet the needs of and the development towards a modern energy system

Q18. Which particular standards might most benefit the connections process if changed?

Scenario 4.2: Reducing the need for reinforcement by managing connection offers

Scottish Renewables fully support the introduction of proportionate Assessment and Design fees as a practical means of reducing the volume of speculative connections and increasing the speed of connections through a better allocation of resources.

Q19. What benefits might the introduction of assessment and design fees bring?

It is our view that allowing DNOs the option to charge customers an amount in advance for a full connection offer will bring the following benefits for customers.

- Reduced diverted resources: Reducing the number of speculative requests will enable DNOs to devote additional time to the more developed applications they receive.
- Faster response times: With DNOs developing more information on-line and reductions in abortive detailed design work the average time to provide a formal connection offer should be reduced whilst at the same time allowing DNOs more time to discuss specific requirements e.g. utilising more smart grid options.
- Fairer charge allocation: A&D charges will be met only by the party that causes the costs to be incurred. It is important to note that there will be no increased revenue for the DNO as they already recover them from the customers whose projects do proceed, instead the aim of this proposal is to allow a proportion of the charges to be recovered through a fairer mechanism

Q20. Could more flexibility in the way assumed available capacity is calculated help accelerate the connections process? Are there any other improvements to be made in how DNOs manage interactivity between schemes looking to connect to the same part of the network?

Q21. When might it be reasonable to withdraw capacity it has previously offered to customers?

Q22. Are there any other changes which could be made to reduce the need for reinforcement?

Scenario 4.3: Flexible terms for the recovery of connection charges

We recognise that there a number of benefits that could be realised through enabling flexible terms in connection charge recovery. For communities and independent generators this is often the single biggest hurdle to overcome when seeking to take forward low carbon aspirations through renewable energy projects

We recognise that setting charging arrangements that create the right incentives for all network users is a particular challenge however, and we would welcome further engagement with Ofgem on this issue and particularly to explore introducing a system based on securities and liabilities similar to that used for transmission connections. .