

Received by email 26 May 2015  
Distributed connections consultation response

Hi Olivia,

Sorry for the lateness of this response to the distributed connections consultation. We have no comments on the commercial specifics of the four scenarios proposed, but I wanted to make one more general point on a possible risk we perceive around this issue.

The two most influential stakeholder groups on connections policy are the networks and the distributed generators. The interests of these two groups may diverge on many issues, but one point on which they will align is that both will greatly to overbuild capacity rather than risking constraint. Generators will understandably see risk of constraint as a barrier to business, while networks will welcome a reason to grow regulated asset base and hence their returns.

Having sufficient capacity for new connections is essential to providing consumers a secure and sustainable supply. But overbuilding imposes an unnecessary cost. Furthermore, without disputing the need for new capacity in the short and mid term, the growing application of smart grid measures mean that the long term future of networks is currently highly unpredictable. There is a real risk of asset stranding, a cost which once again would devolve to the consumer. We would therefore ask Ofgem when considering responses to this consultation to guard against any excess 'safety margin' - as might follow from any of the scenarios proposed - given that this comes at a considerable cost to consumers.

Apart from this, we would welcome further clarity on a few more specific points. One is around the materiality of these proposed changes in terms of impact on consumers' bills, and another concerns the interaction of any changes with the established structure of ED1. I wondered if it would be possible to arrange a time to come in for us to get up to speed on these questions?

Best wishes,

Conrad

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