

Our Ref: DT/RD

12 May 2015

Olivia Powis  
Ofgem  
9 Millbank  
London  
SW1P 3GE

**BY EMAIL & POST:**  
[olivia.powis@ofgem.gov.uk](mailto:olivia.powis@ofgem.gov.uk)

Dear Olivia

## **QUICKER AND MORE EFFICIENT DISTRIBUTION CONNECTIONS CONSULTATION**

We really appreciate Ofgem's work on looking at options to improve the speed and efficiency of distribution connection. Banks Group are a developer of renewable, property and mining projects. Most of our connections work is related to the connection of onshore wind farms to the grid. We presently have 53MW of onshore wind generation capacity operational. Thank you for the opportunity to comment on the options for quicker and more efficient distribution connections.

We have tried to answer your questions related below.

Please note our response to Q4 should be treated as confidential and will be forwarded separately.

### **Scenario 1: DNO Funds Cost of Anticipatory Reinforcement**

#### **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?**

We are not a DNO but from a distance we believe there may be some, probably rare, circumstances where DNOs would be sufficiently confident to justify this approach. Any justifications should link to or use Local Authority objectives or local plans. It is interesting to note that UKPN have proposed a strategic investment of this type. We believe it will be difficult to justify this kind of investment without the connections contracts as investment signals.

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

The process for approval of such investment by Ofgem needs to be clear and appropriate for the level of investment.

### **Scenario 2: DNO funds cost of anticipatory reinforcement when initial connection takes place**

#### **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?**



The way this approach avoids the first connection customer having to pay the full cost of reinforcement would be a real improvement. This removes a significant risk from individual developers, the first movers and transfers the risk to the DNO who would have a much better view of the wider development situation. Again in this situation any DNO investment justifications should link to or use Local Authority objectives or local plans.

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

Please see confidential response to be forwarded separately.

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

In our view it is likely in most scenarios that connection to the new, enhanced part of the network will be the most economical solution for the connecting customer.

**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 are not sure a premium could be justified.

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

In our opinion the 10 year second comer rule limit may provide a useful timescale for this.

**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?**

Our understanding is that this approach is triggered by an initial connection that requires a reinforcement so we are not sure that an upfront revenue adjustment applies unless it related to a small allowance for looking for, planning for or responding to such opportunities.

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

This proposal relates to funding for reinforcement which is non-contestable and therefore may benefit competition in connection by reducing the portion of reinforcement costs that has to be paid by the initial connecting customer.

**Scenario 3: Connection customer funds cost of anticipatory reinforcement when initial connection takes place**

**Q10: What are your views on the DevCo model and process set out in Appendix 2? Are there any elements which are essential, not required or should be changed – and why?**

It is good to see innovative proposals in this area and there may be some areas where such a model could work. We do have some concerns that it seems that this DevCo model is trying to achieve some objectives that are better dealt with by the planning system. We are concerned

that any 'rules' that limit choice on what is connected and to where may restrict development or investment.

**Q11: Please give details of any projects or schemes this type of arrangement could have helped progress which would not have otherwise gone ahead?**

No examples to provide.

**Q12: What would justify requiring subsequent connection customers to only be able to connect to the new, enhanced part of the network?**

In our view it is likely in most scenarios that connection to the new, enhanced part of the network will be the most economical solution for the connecting customer. That is, it is unlikely that a process for requirement would be necessary.

**Q13: What would justify a DNO charging a premium to second-comers to reimburse the customer? What might be the impact of this? How should the premium be calculated?**

We are not sure a premium could be justified.

**Q14: Over what time period would it be reasonable to expect the customer to be reimbursed for their initial funding?**

In our opinion the 10 year second comer rule limit may provide a useful timescale for this.

**Q15: What would justify the initial investor being permitted to restrict the type of schemes that would connect using the infrastructure it has paid for? For which type of schemes might this be appropriate?**

We are concerned that any 'rules' that limit choice on the type of schemes that can be connected and to where may restrict development or investment. Are these objectives not better dealt with by the planning system?

**Q16: Do you have any comments on the recommendations proposed in Appendix 3 to enhance consortium arrangements? What would justify these recommendations? Are there any other changes which would support consortium arrangements?**

We have appreciated Scottish Power working with us and other developers to try and ensure economic and efficient network solutions are developed. Consortia are one way of dealing with sharing the costs of connections and reinforcement. It is difficult to find the suitable conditions for their application. For success you need projects that are at a similar stage in their development and able to commit to funding at the same stage.

#### **Scenario 4: Other ways of making it easier to connect**

**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?**

I am not an expert on the relevant engineering standards although I note there is a review of P2/6. In the area of Distributed Generation there should be some consideration of how the generation

/ time profiles of solar and wind align as the capacity factors are different and days with sun and wind are rare. This may already be considered in the relevant engineering standards.

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

No comment.

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

It should also be noted here that DNO connection teams responsible for developing and issuing quotations have been under significant pressure recently dealing with large volumes of speculative generation connection requests. The fact that all of these requests are free and covered by guaranteed standards has led in our opinion to a very 'automated' process solution for delivering quotations with little opportunity for communication with the DNO. A suitable limited and standard assessment and design fee for EHV connections may limit the number of speculative generation connection requests and allow DNO connection teams to deliver an improved service.

**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?**

In the area of Distributed Generation there should be some consideration of how the generation / time profiles of solar and wind align as the capacity factors are different and days with sun and wind are rare. This may already be considered by DNOs but my understanding is that in general (outside of innovation projects) they plan for maximum generation output in simple addition and minimum demand.

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

This should only be done based on the contractual position between the connecting party and the DNO. Grid connection is a key uncertainty on a development and once a contracted position is agreed this should not be changed except through the provisions in the connection contract. Our understanding is that DNOs have the capability to include milestones in contracts. If these milestones are not being met then the customer should be challenged on how the project is progressing. If evidence of project progression cannot be provided then in accordance with the contract conditions the termination process could be commenced.

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

We believe there would be significant benefits to DNOs actively managing their EHV networks in the mode of Distribution System Operators (DSO). This would help to ensure the most effective use of their existing assets and improve their understanding of the capability and operation of their networks. DNOs present mode of operation is in general (outside of innovation projects such as ARC in Scottish Power) is passive network management of their EHV networks. I have now asked the question 'in which year will actively managing your EHV network?' to a number of DNOs and not had a firm answer.

**Q23: What would justify a DNO offering more flexible terms for connection charges?**

Options for flexible terms from DNOs for connections would benefit developers and other customers connecting. The minimal present standard arrangements seem very restrictive. It is essential that whatever the terms that the DNO secures a suitable financial commitment before it contracts for connection capacity and/or starts to build infrastructure. Without that commitment capacity could be held easily by schemes with no chance of progressing.

**Q24: What type of schemes would benefit from this arrangement?**

Many schemes, including renewable generation can benefit from moving costs to after the date when income starts even if there is an interest charge.

**Q25: What could be done to protect other customers from picking up any costs which cannot be recovered from the original connection customer?**

A liability and security scheme similar to what is in place for transmission (CMP192) would be required.

**Q26: Are there any other measures that would reduce the cost impact of connecting to the network?**

Competition in Connection development, as per my previous letter:

- Clarity on and possibly improvement of access to statutory powers for Independent Connection Providers (ICPs).
- Provision of information on the network and capacity available by DNOs including a distribution version of the TEC register.
- Dual connection offers as standard
- Consistency in audit for DNO and ICP connection works
- Transferrable accreditation for craftsmen and technicians where applicable

A positive move to a DSO approach to active management of DNO EHV networks as per Q22 above

**Q27: Which if the arrangements described above would deliver the greatest benefit to the connections process without placing additional risk or cost on the generality of customers, and why?**

We believe a RAV buyback model for reinforcement based on capacity used by each connection is probably the best option for further investigation.

**Q28: Should wider benefits beyond energy system benefits (such as those provided by NTBMs) be taken account of in DNOs' or third parties considerations of any of the measures or mechanisms described in this paper?**

We believe these wider benefits should be included in the DNOs' or third parties considerations of relevant measures or mechanisms described in this paper as long as they are clearly identified and not double counted.

**Q29: Do you have any other suggestions for delivering quicker and more efficient connections?**

Please see our answer to Q26.

If you would like to discuss any of these issues please give me a call to discuss.

Yours sincerely



**Dan Thomas**  
Grid Manager

DD: 0844 264 4633  
E: dan.thomas@banksgroup.co.uk