## Consultation response

**Question 1: Do you agree with the case for change as set out in this chapter? Please give reasons for your response, and include evidence to support this where possible.**

The need for change is clear, however, there are many aspects of the stated case we disagree with.

1. It is implied that those triggering network investment should pick up the full cost of that investment. Many of the underlying changes that are leading new generators and loads to seek connection are driven by the move to a low Carbon Economy, which is a societal benefit and should not be constrained by only being allowed where our historic network infrastructure is located. There needs to be some cost signal that promote efficient use of existing infrastructure, but this should not be allowed to hinder the development of infrastructure that is not only adequate for today but is an investment for the future. A much wider more strategic view of how the electricity network is developed to best serve the UK in the long term is required. Care needs to be taken when talking about levelling the playing field, small embedded generators (and loads) cannot afford the administrative overhead that large transmission generators incur maximising revenue streams in evolving and complex markets. There is a danger that those embedded generators (and loads) land up carrying similar costs but are unable to reap the benefits that transmission connected generators do, this will not necessarily reduce consumer bills but may allow large players to make more profit. Care should also be taken in considering a move to shallow connection for distributed generation, the security requirements can often significantly negate the reduced cost during the development phase, once a project is operational the benefit to a generator of high UoS costs (if these are fully cost reflective) compared to low upfront cost is marginal.

**Question 2: Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and, where possible, evidence to support your views.**

It is agreed that access rights should be reviewed. We have experienced many example where a connection has not been possible until several years in the future due to transmission constraint that are contractual rather than physical i.e. capacity is contractually ‘hogged’ by projects that cannot proceed usually due to not having planning consent. Allowing short term access to use the available capacity even if it was at risk from those contracted projects gaining consent and proceeding would have been an acceptable risk if it meant securing higher tariff bands. Also limiting available capacity to the worst case summer rating and minimum demand has meant excessive reinforcement requirements which simple summer winter/time of day capacities could have avoided. This worst case scenario approach on the distribution network has led to potential renewable projects not being progressed due to the cost and timings associated with the expected reinforcement. A more flexible approach presents further opportunities by reducing the connection costs to integrate distributed generation.

**Question 3: Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views:**

1. **Establishing a clear access limit for small users, with greater choice of options (as considered under b) and c) below) above a core threshold – do you agree with our proposal in paragraphs 3.5-3.10 that this should be considered? Do you have views on how a core threshold could be set?**

Whilst the principal proposed is accepted, the reality is that this is a complex area that the vast majority of small consumers will not engage sufficiently to achieve best or even reasonable value. There is a danger that this becomes a significant impediment to the take up of Low Carbon Technologies.

1. **Firm/non-firm and time-profiled access – do you agree with our proposal outlined in paragraphs 3.15-3.21 that these options should be developed?**

As stated in Q2 we believe that greater flexibility in time profiled connections is very sensible. The current level of ‘firmness’ offered to distributed generators on normal none ANM connection is not currently an issue if the proposal is to reduce the firmness of existing connections then that would potentially be significant concern. For future connections if the proposal is that distributions systems will effectively be oversubscribed and then managed by curtailment then it is not clear how that differs from current ANM connections which are not a major issue, there have been a few teething problems where curtailment has been greater than predicted but by and large developers have managed to live with this risk.

1. **Duration and depth of access, discussed in paragraph 3.25-3.32 - would these options be feasible and beneficial?**

We have no comments on the issue of duration. Depth of access – whilst it would be complicated and would have some interaction with electricity supply and trading, we consider that shallow access to allow electricity to be traded between local generators and demands paying only for the part of the network has significant benefits commercially in terms of system efficiency and in Carbon Reduction. We would encourage Ofgem to bring this in to the scope of this review. With the advent and repaid improvements of large scale storage this type of very local supply is becoming more and more viable and by the time these reforms kick in it is expected that this technology will be mature.

**d) At transmission or distribution in particular, or are both equally important – as discussed in this chapter?**

The above comments apply to distribution we have no strong opinions on transmission.

**Question 4: Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.**

1. Firmness – we generally agree with this principal but are concerned about how this will apply to existing connections. Will existing generators who have in any cases paid significant amounts for network reinforcements to gain relatively firm capacity be penalised and in effect have to pay doubly for those assets. Also can an existing generator who has paid for network reinforcement retrospectively elect to reduce its ‘firmness’ and be compensated in some way?
2. There is a danger that the uptake of LCTs will significantly distort network loading, for example, an element of network that is currently heavily loaded during the day and lightly loaded at night could flip to being more heavily loaded at night due to electric heating and home EV chargers, if a solar farm had accepted a daytime only export it would now be out of sync.
3. If embedded generator are required to make upfront payments, early exist charges (presumably with security requirements, many large embedded generators are project financed with no financial standing beyond the income stream) or other security requirements then there is little benefit in a move to shallow connection charging.
4. We agree with this statement

**Question 5: Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views:**

**a) Improved queue management as the priority area for improving initial allocation of access, as outlined in paragraphs 3.41-3.44?**

We agree with this approach, the implementation of a queue management system will allow for the available capacity to be well managed and be utilised for projects that are actually progressing. The Alternatives such as auctions sound messy and do not provide any certainty for projects.

**b) Not to consider the potential role of auctions for initial allocation of access as part of a review at this time, as discussed in paragraph 3.44?**

We agree

**c) To review the areas outlined in paragraphs 3.45-3.48 to support re-allocation of access?**

Agreed, this management again assists in the effective utilisation of the network. These are things industry has been asking for years and would question why this cannot be implanted now.

**Question 6: Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.**

We agree that a comprehensive review should be undertaken, however, have concerned about the terms of reference. Simply classifying areas as generation dominated or demand dominated will penalise renewable generators in Scotland where the renewable resources are largely located thereby hindering the transition to a low carbon economy. The focus should be on developing the nation’s resource in the most efficient manner not creating new barriers to the transition. It is accepted that at LV detailed modelling would be prohibitively costly and time consuming not to mention the lack of information on what is there and may be coming. However, at HV this is not the case and it should be possible to do something more sophisticated than simply class an area as generation dominated or demand dominated. Care must also be taken when setting a boundary beneath which cost reflectivity no longer applies. In rural areas that have no access to gas the level of electricity demand required to provide basic service such as cooking and water heating could be significantly higher than in urban areas with access to gas.

**Question 7: Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.**

In general we do not think that the distribution connection boundary needs to be moved, as the bulk of the connection cost is picked up by the generator there are already strong locational signals. If the cost to consumers is to be materially reduced this implies a material increase in DUoS charges overall. Also a move to shallow connection charges is likely to be accompanied with a need for security, which negates the benefit to embedded generators. It is also unclear how the new DUoS regime would be applied to existing generators who have already paid significant amounts towards network reinforcement, they could end up paying for these assets doubly.

**Question 8: Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:**

**a) Do you agree that forward-looking TNUoS charges for small distributed generation (DG) should be reviewed, as outlined in paragraphs 4.19-4.23?**

The proposal as currently framed will significantly penalise renewable generators in Scotland and possibly other areas with high concentrations of renewable generation and low demand. Highlighting areas where these charges will be low are likely to be places where the development of renewable generation projects is not possible. Both of these points will be significant inhibitors to decarbonising the UK.

**b) Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27? Please provide reasons for your response and, where possible, evidence to support your position.**

We have no view on this proposal

**Question 9: Do you agree that a broader review of forward-looking TNUoS charges, or the socialisation of Connect and Manage costs through BSUoS at this time, should not be prioritised for review? Please provide reasons for your response and, where possible, evidence to support your position.**

We agree that this is not a priority at this time

**Question 10: Do you agree that there would be value in further work in assessing options to make BSUoS more cost-reflective, and if so, that an ESO-led industry taskforce would be the best way to take this forward?**

We have no view on this proposal

**Question 11: What are your views on whether Ofgem or the industry should lead the review of different areas? Please specify which of SCR scope options A-C you favour, or describe your alternative proposal if applicable. Please give reasons for your view.**

We believe that this review should be led by Ofgem as the industry (ESO and DNO) have a vested interested in the outcome that favours their businesses rather than reducing costs to customers or achieving Carbon targets or any other wider objectives. We believe that not only should the scope be as wide as possible i.e. the comprehensive scope, but that the review should explicitly consider wider government objectives than simply reducing short term costs to consumers.

**Question 12: Do you agree with our proposal to launch an ‘Option 1’ SCR for areas of review that we lead on? Please give reasons for your view.**

No we believe that these changes are sufficiently important that process should be led from end to end by Ofgem (option 3) in consultation with industry but without affording them the power to water down any aspects that may detrimentally impact their business models.

**Question 13: Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5? Why or why not? Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.**

We believe that this process would be better led by Ofgem. This will provide an approach that will take into account the best interest of the industry by minimising the ESO and DNO putting their own agendas first.

**Question 14: Do you have any comments on the draft wording of the outline licence condition included at Appendix 5b? Please give reasons for your view.**

We have no comments on these

**Question 15: What are your views on our indicative timelines? Do you foresee any potential challenges to, or implications of, the proposed timelines and how could these be mitigated?**

The biggest issue with the timeline is how long it is, the electricity network and the wider energy market are changing at a rapid rate yet these reforms are set to take 5 years. In 5 years when outcomes of this review comes in to effect the baseline and the overall system configuration will have changed significantly. The uptake of EVs will be in full swing, the cost of storage is likely to have significantly reduced, and the cost of renewable generation is likely to have continued to drop. The cost of imports from the EU may have materially changed due to Brexit. A new Government may even have put Hinkley point out of its misery. In the mean time anyone trying to work within the UK electricity industry will have to guess at what future costs may be potentially reduce the rate at which decarbonisation occurs throughout the UK, providing a detrimental effect to the industry.

**Question 16: What are your views on our proposals for coordinating and engaging stakeholders in this work?**

We have no comments on this