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Our ref

Your ref

Date

14 September 2018

Dear Jon

**Consultation: Getting more out of our electricity networks by reforming access and forward-looking charging arrangements**

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in response to Ofgem's consultation.

Please see attached responses to the questions contained in the consultation.

If you would like to discuss this further please contact Nigel Turvey on 0117 933 or at [nturvey@westernpower.co.uk](mailto:nturvey@westernpower.co.uk)

Yours sincerely



PAUL BRANSTON  
Regulatory & Government Affairs Manager

**Question 1:** *Do you agree with the case for change as set out in chapter 2? Please give reasons for your response, and include evidence to support this where possible.*

Yes, we agree that changes to access arrangement and forward looking charges is needed due to the rapidly changing use of the distribution network. With the low load factor of many sources of renewable energy we need to clearly define access rights so that network capacity can be appropriately valued and allocated to ensure high levels of utilisation.

The current position of access being able to be reserved at low, or in some cases zero, cost leads to high levels of speculation that can prevent connections ready to proceed from doing so unless they commit to contribute towards reinforcement which often makes the connection uneconomic.

**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.*

Yes, for two main reasons:

- there are more users of the network that can accept different levels of access due to the nature of their usage and,
- greater clarity around the nature of the access rights and improved commonality of how access rights are defined, particularly for the flexibility options being developed, is needed

**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:*

- a) *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?*

There are several elements to consider here:

- We agree that a simple approach is needed for the core needs of small users
- Charging should be based on the demand on/usage of the network rather than the end technology using the energy
- Existing networks are designed using the high level of diversity that currently exists between domestic customers
- An increase in the penetration of EVs, use of electricity for heating, domestic level storage and home energy management systems will change both the demand and diversity assumptions

Hence, defining a core access right that fits within historic/existing design parameters is likely to be difficult.

- b) *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?*

Yes, a greater range of options and clarity around the rights under them will assist developers in managing the risks associated with their projects. If changes to the options available are made, changes will also be needed in the tools and methods used

to design networks to take account of the different access rights chosen to ensure that adequate network capacity is available.

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

Whilst the options on duration are feasible, they are likely to be of limited benefit in decisions on long term network planning except for the largest users. This is due to most decisions on reinforcement/asset replacement being driven by the combined demand/usage by multiple customers.

Local access would require users to balance generation and demand at all times. Even with this position these customers would still be benefitting from the stability and ultimately back up from the total network otherwise there would be no benefit in being connected to upstream networks. We agree that the benefits of facilitating local access is unlikely to outweigh the significant complexity of introducing it when solutions via forward looking charges are likely to be easier.

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

Access rights and options are currently generally better defined at transmission and hence greater change is needed at the distribution level.

**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.*

Yes, we agree that it is comprehensive in covering the relevant policy areas.

**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?*

Yes, reservation of capacity by customers not in a position to proceed can prevent those able to proceed from connecting.

- 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 do not believe that auctions are a practical option for the initial allocation of access rights particularly for new entrants and at lower voltages. Improved rules on queue management are likely to be a better option.

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

We agree that new access conditions (use it or lose it or use it or sell it) would be of benefit to release unused capacity. Whilst we support the concept of trading curtailment and exchange of access rights this would also need the development of processes to assess the exchange rate by the DNO as in many cases this would not be a

1:1 exchange. Whilst such arrangement exist in the CUSC, we are not aware of them being used due to the complexity of establishing the exchange rate.

**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.*

Yes, in particular:

- improved predictability of EHV charges is needed to enable them to react to the price signal
- the balance between usage and capacity given the likely penetration of storage behind the meter which will remove the traditional relationship between capacity and usage on which charges have been based.
- the universal application of generation credits to all generators regardless of whether reinforcement is required or not, should be re-assessed
- simplification of EHV charges by moving to a zonal approach and likewise introducing a zonal approach to the HV and LV could have the effect, by moving to similar methods of charge calculation, of reducing the cliff edge divergence between the two methods EDCM and CDCM.

**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.*

We agree that the distribution connection boundary should be reviewed for the following reasons:

- The current charging arrangements can result in the next reinforcement being at a cost level where no user can justify paying the connection charge resulting in an area of the network being closed to further connections. A shallow connection boundary allows an interim socialisation of these costs which then need to be recovered via forward looking charges
- Where a connection charge includes reinforcement that is partly recovered via the connection charge then the use and charging for flexibility as an alternative to reinforcement is complex. A shallow connection boundary would significantly simplify this option.

**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?*
  - Yes this should be reviewed. This project allows for investigation of whole system impacts and as such this review seems appropriate
- b) *Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27?*

- Yes for the reasons outlined in the consultation.

**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.*

Yes, this has already been reviewed recently and as such should be given a lower priority.

**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?*

Given that they are passed through to customers, we agree that assessment of options to make BSUoS more cost-reflective would be beneficial. If an ESO-led taskforce it needs a fixed timeframe to conclude what options are available to ensure progress.

**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 have a strong preference for option C for the following reasons:

- It will ensure consistency across different aspect of changes to codes
- Avoids the risk of divergence, inconsistencies and conflict that could result from a twin track approach
- Changes are likely to result in winners and losers and hence will be contentious which is unlikely to result in 'quick wins' under the normal code change process
- It is difficult to see how a review of allocation of access right could be undertaken in advance of a review of definition and choice of access rights for small and large users
- It avoids the need for a licence change which avoids the regulatory burden caused by that process

**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.*

We believe that option 3 should be progressed as there is the potential for conflict due to the inevitable winners and losers that will result from change. This contention is likely to make the usual code change process lengthy with multiple alternative options being proposed. An Ofgem led end to end process to develop code modifications would keep the changes to the timescale needed.

We would support the use of the ENA as a secretariat to support Ofgem in this process.

**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.*

If Ofgem concludes that an industry led response is the way forward then this type of licence condition would be an appropriate mechanism to facilitate this.

**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.*

Paragraph 1.8 "Approach" sets out the requirement to undertake the specified activities jointly with the other DNOs and ESO. This is drafted such that it only applies to certain parts of the condition and not others. An individual DSO is not able to deliver the reforms on its own. Therefore paragraph 1.8 needs to be moved up to follow on after paragraph 1.3, and the drafting extended to be clear that it covers all aspects of the condition including paragraph 1.9 deliverables, 1.11 compliance with guidelines and 1.12 relevant arrangements.

The timescales for delivery of the outputs is challenging, although we recognise that the drafting enables Ofgem to modify the timetable:

- a) An Interim Report and any Code Modification Proposals by 30 June 2019;
- b) A Conclusions Report and any Final Modification Reports submitted, and any reforms which do not require code changes implemented by 31 March 2020.

It would be sensible to include some drafting around the process for seeking and agreeing modifications to the timetable.

**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?*

Whilst the timetable appears achievable, major changes can only realistically be implemented at the time of the price control which gives a fixed end date. This supports use of the option 3 process.

The complexity, systems impact, cost and timelines associated with implementing possible mpan level billing needs careful consideration.

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

We agree that use of the CFF, CDB, Code Panels, Task Forces and the Open Networks Project will be essential in helping to engage with the widest range of stakeholders.