

CENTRAL ASSOCIATION OF AGRICULTURAL VALUERS

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Dear Sirs,

National Grid ESO Consultation Seeking Views on Connections Reform

This submission is made on behalf of the Central Association of Agricultural Valuers (CAAV) in response to this call for views.

The Central Association of Agricultural Valuers

The Central Association of Agricultural Valuers (CAAV) represents, briefs and qualifies some 2,900 professionals who advise and act on the very varied matters affecting rural and agricultural businesses and property throughout the United Kingdom. Members are instructed by a wide range of clients, including farmers, owners, lenders, public authorities, conservation bodies, utility providers, government agencies and others; their work requires an understanding of practical issues.

The CAAV does not exist to lobby on behalf of any particular interest. Its members are called on to act or advise both public and private interests (here including property interests, asset owners, infrastructure delivery organisations). It therefore aims to ensure that policies are developed and designed in as practical a way as possible, taking account of circumstances.

Whether acting for landowners or electricity providers, members are involved in advising on and acting in respect of power generation projects, including solar farms, onshore wind turbines, biomass and other technologies, and the agreements for them as well as the lines and other facilities for transmission, distribution, storage and management of electricity, a large proportion of which is on rural land and involves rural landowners and farmers.

In the light of these interests, we respond here only to the questions for which we feel able to give a relevant opinion.

Q1. Do you generally agree with our overall initial positions on each of the foundational design options and key variations? Are there any foundational design options or key variations that we should have also considered?

We agree, though foundational design option 1 – maintaining the status quo – is not really a starter because the current system is failing. That is admitted in the text.

None of variations 1 (application to the TO), 2 (ESO responsibility for connections design) or 3 (increasing scope of customer delivered works) would improve Option 1 because they do not directly address queuing issues. Variation 4 (application windows) is just another way of gating applications. We have no further options/variations to suggest.

Q2. Do you agree with our initial view that the current issues with the connections process could potentially be addressed on an enduring basis through other, less radical, and lower risk means than the introduction of capacity auctions?

No, we do not agree.

Capacity auctions would only apply if the connections process were separated from capacity allocation but this could be done under either foundational design option. Capacity auctions have merit especially for storage where bidding for capacity might be economically efficient as well as providing signals as to better locations.

It is more difficult to see how they might benefit intermittent renewables and demand connections. However, where the latter is sufficiently predictable to allow capacity forecasting an auction process could still be effective. This leads to other questions concerning whether REMA will change capacity or balancing markets but we recognise that these are beyond the scope of this consultation.

Q3. Do you agree with our initial view that the reformed connections process should facilitate and enable efficient connection under either a market-based (i.e. locational signals) or ‘centralised’ deployment approach (or an approach somewhere between the two), but not mandate which approach to follow?

Yes – the point being that the connections process should not dictate market structure/operation.

Q4. Do you agree with our initial recommendation that Target Model Add-on (TMA) A to TMA C should all be progressed, irrespective of the preferred TMO?

Yes.

Q6. Do you agree with the importance of the TMA A ‘Key Data’? Please provide suggestions for any other key data that you suggest we consider publishing at Pre-Application Stage.

We strongly agree with the provision of key data; transparency is always desirable.

In addition to the connection capacity available at substations/grid supply points, we believe it would be useful to include cost information showing how much capacity is available at differing levels of cost with a view to helping developers to understand the economics of different project sizes, locations and connection points (this may apply more at the distribution level but is nevertheless relevant at the transmission level).

Greater transparency at this stage would improve economic efficiency and help crystallise the options for developers and so reduce the chance of changes downstream. For example, if a developer were contemplating connecting at a point where there is capacity for, say, 20MW at zero or little cost and 50MW at moderate cost, it might seek an agreement for 20MW of firm capacity and 30MW of non-firm capacity either on an interim or long-term basis. Such information would aid those judgments and assist market efficiency.

Q7. Do you agree with our initial recommendation with regard to TMA D (requirements to apply)?

Yes, provided that the Letter of Authority proposed under D1 can be based on the existence of an option between developer and landowner. That would be consistent with current custom and practice in which a developer obtains an option from a landowner (or landowners) for both the project site itself and for the line to the connection point at an early stage. The option is later converted into a more permanent arrangement, such as lease or sale, when all consents have been received.

With respect to TMA D4 a duplication check would be prudent – landowners are not obliged to issue an exclusive option, or an option may be time-limited. There might need to be a mechanism under which ESO can be informed should a Letter of Authority be withdrawn or reissued to avoid subsequently falling foul of the D4 option.

There may need to be special arrangements for Nationally Significant Infrastructure Projects (NSIPs) which are subject to a Development Consent Order (DCO) that may enable some of the required land or rights over land to be secured by compulsory purchase from an unwilling owner, so nullifying the use of an option and this approach. As the compulsory purchase process can take time and a landowner might be unwilling to issue either an option or a Letter of Authority in this circumstance, alternative approach might needed if anything is to be done before the DCO is approved.

Q9. Do you agree with our initial recommendation with regard to TMA F (criteria for accelerating ‘priority’ projects)?

Yes, in part. Safeguards would need to be in place to ensure that lobbying is not excessive for designation either under TMA F1 (official designation by Government) or TMA F2 (demonstration of significant additional consumer and/or wider economy/societal benefit). It could lead to significant opportunity cost for and pressure on government and ESO staff.

It would be useful to clarify whether an NSIP with a DCOs would be considered to have an official designation by Government and therefore fall under TMA F1.

TMA F4 (a price-based mechanism (e.g. using an auction) to allow parties to pay for a quicker connection) may be worth further consideration on two grounds

- first, lobbying to allow entry under TMA F1 or F2 is in essence a non-transparent price-based mechanism to obtain a quicker connection. Such lobbying would entail expenditure of time and money by developers to make their case and by government and ESO to defend their positions, including in the courts. Such funds would be better expended in a transparent process that is less likely to be called into question.
- second, as the consultation paper notes, a price-based mechanism would be governed by ability to pay and likely to favour larger or more established developers and/or

certain types of technologies. It is also likely to improve financing conditions by increasing the level of certainty of a connection date. That is to be encouraged if the object is to develop the electricity system at least economic cost. The suggestion that it may favour certain types of technologies (and, implicitly, developers) is surely the point: that is what markets do and would be an outcome in line with current policy and more desirable than centralised picking of winners.

Q10. Do you agree with our initial recommendation with regard to TMA G (queue management)?

Yes, but it has potential to conflict with TMA F1, 2 and 4. Reactive queue management is a reasonable approach in the absence of TMA F1, 2 and 4. If any or all of TMA F1, 2 or 4 are adopted then by default queue management becomes proactive because the advancement of one project under one of the TMA F provisions would mean pushing another back.

Q11. Do you agree these four Target Model Options (TMOs) present a reasonable range of options to consider for a reformed connections process?

Yes. Combined with the TMAs outlined in Chapter 5 these give a wide range of options. The difficulty may be in narrowing them down in a rigorous, evidence-based fashion.

Q12. Do you think any of the four TMOs could be materially improved e.g. by adding, removing or changing a specific aspect of the TMO? If so, what and why?

No.

Q13. Are there any important TMOs we have missed?

No.

Q14. Do you think ‘Submit Consent’ is too early for Gate 2 in TMO2 to TMO4? If so, what milestone should be used instead and why?

Yes, ‘submit consent’ is too early because after admission through Gate 2, there may be projects of widely differing readiness to receive consent. That might depend on factors such as the difficulty of the planning issues to be considered, the conscientiousness with which developers address them before submitting consent, the capacity of the local planning authority considering the application, ‘surprises’ and, ultimately, whether the projects do receive consent. Any of these risk the bunching of projects of widely differing readiness for a connection into the post-Gate 2 stages, at which point valuable ESO and other resources will be committed to preparing network and other studies which might be wasted. Put another way, there is a risk that the current problem with the connection queue could re-emerge post Gate 2.

While developers may not like it, Gate 2 needs to be at least at the ‘received consent’ stage. If projects fail to receive consent, they can be dropped at Gate 2, leaving the ESO to focus on other projects and – incidentally – landowners to seek other uses for their land.

Consideration also needs to be given to NSIPs and the rather different DCO process. At least, an explicit stage in the DCO process should be specified and be a near equivalent to the ‘received consent’ stage. The selected TMO and TMAs would need to be able to account for

any changes to the NSIP and DCO regime that result from the consultation launched by DLUHC on 26th July 2023.

Q17. What are your views on the stated benefits and key challenges in relation to TMO4?

The stated benefits are largely from the ESO's perspective. The perspectives of other stakeholder groups do not appear to have been taken into consideration explicitly, though some may be implicit. For example, the benefit of acceleration of connection dates benefits all stakeholders, but that could be made explicit. Overall, there should be more concern to ensure that this is of benefit to all relevant parties and so the network and those relying on it. Q26. Do you agree with our views on network competition in the context of connections reform, including that TMO4 is the option which is most aligned with network competition as it includes the most design time at an early stage in the end-to-end process?

Q26. Do you agree with our views on network competition in the context of connections reform, including that TMO4 is the option which is most aligned with network competition as it includes the most design time at an early stage in the end-to-end process?

A qualified yes. It is not clear whether CATOs and OFTOs would be required to work through the system in the same way as any other connection application. Would, say, a supply connection application to a CATO also need to follow the TMO4 process? Would a CATO to ESO connection also go through the same process?

As we pointed out in our reply to Q14, NSIPs with DCOs have no directly comparable stage to 'submitting consent'. We also suggest that whatever is taken to be the equivalent of 'submit consent' might be too early to have a major effect on queuing time.

Q30. What further action could Government and/or Ofgem take to support connections reform and reduce connection timescales, including in areas outside of connections process reform?

The reforms to the NSIP and DCO regime proposed in the consultation launched by Government through DLUHC on 26th July have the potential to make an important contribution to reducing connection timescales. ESO/Ofgem should engage closely with that process.

With our knowledge of the practical rural world and its interactions with electricity infrastructure, we are happy and willing to talk further to help a positive outcome.

Yours faithfully,



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