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ESO's GB Connections Reform – ENWL response to consultation questions

I have pleasure in providing our responses to the questions asked in your recent consultation on proposed GB connections reform.

Yours sincerely

Daniel Randles
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Date: 2023.07.28 08:18:05 +01'00'

Dan Randles
Head of Strategic Planning & Design
Electricity North West Limited

Electricity North West Limited (ENWL) - responses to consultation questions

Foundational Design Options

1. 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?

ENWL response:

We are broadly in agreement with the initial position taken on foundational design options. However, we are concerned that the options are skewed toward what is good for Transmission System connections. Concerns around the impact on Distribution network connection customers appear secondary, or at best not given equal consideration as those connecting to the Transmission System. The gated process and central planning options appear to offer more potential than that of the status quo option but are perhaps more challenging, and therefor likely to take longer, to implement. As for the variations, you considered five alternatives, but we note that you are only taking one (application windows) forward to the next phase of the work. Using an application window as proposed might offer benefits at transmission level but introduces problems at the distribution level and despite the proposed use of Reserve Developer Capacity is not in the interests of customers. Lastly, the speed at which any changes are implemented is key given the tangible opportunities that exist today to connect low carbon resources to distribution networks.

2. 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?

ENWL response:

The benefits of using capacity auctions to address the issues with the current connections process are unclear; therefore, all things being equal, we agree with your initial view that other, less radical means should be pursued initially.

3. 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?

ENWL response:

Whilst we recognise the importance that the reformed process is resilient to other future changes, we believe that given the size of the connection challenge today it is more important that the reforms are introduced promptly and are not unduly constrained or delayed by other reforms. Given this, we agree with your initial view that the reformed connections process should facilitate and enable efficient connection and should be independent of the capacity deployment approach used.

Pre-Application Stage

4. Do you agree with our initial recommendation that TMA A to TMA C should all be progressed, irrespective of the preferred TMO?

ENWL response:

Yes, we agree with your initial recommendation based on the assumption that TMA B and C are intended for connection customers directly applying for Transmission System

connections. Furthermore, irrespective of the network to which the customer is connection, i.e. Transmission or Distribution, it may be that customers are afforded a choice of pre-application route subject to their specific need. Therefore, greater flexibility may be desirable to provide good customer service rather than having a rigid set of criteria to allow customers access to appropriate resources.

5. Do you agree with our initial recommendation on the introduction of a nominal Pre-Application Stage fee, discounted from the application fee for customers which go on to submit an application within a reasonable time period?

ENWL response:

No, and certainly if using TMAs A or B, we don't agree with your initial recommendation to charge customers for pre-application stage activities. Owing to the associated administration of raising invoices and processing payments, there is a high potential for added delays in commencing this stage of the application process. However, subject to its final design, when using TMA C, a nominal fee may be reasonable, but only if there is greater clarity of what output the customer should expect to gain from the meeting.

DNOs provide this sort of initial pre-application engagement free of charge.

6. 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.

ENWL response:

Yes, we agree with the importance of the TMA A 'Key Data'. However, to inform decision-making prior to application, some or all of this data should be freely available to all customers and not just those customers actively seeking a connection, i.e. it should be published on ESO's website and routinely updated to ensure it reflects the current situation.

<u>Key Target Model Add-ons</u>

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

ENWL response:

We agree with your proposals as set out in TMAs D1 and D3. In our view, these application requirements are reasonable, noting that Letters of Authority are already a requirement for application to connect to the distribution network. At the Distribution level, Letters of Authority do not have to be exclusive, i.e. we would allow more than one applicant to have a valid Letter of Authority for the same premises. In relation to D4 we suggest you consider the implication on competition if you allow only one. However, whilst acknowledging the spirit of D5 and D6, given their potential commercial materiality, we would require further details, i.e. visibility of the draft terms, before we could be sure of how this might benefit customers. Similarly, we suggest that in your future work you consider the impact on competition if as you propose you introduce a requirement to accept a set of terms and conditions that are set by you.

8. Do you agree with our initial recommendation with regard to TMA E (determination of enabling works), including that it is right to wait until the impact of the 5-Point Plan is known before forming a view on whether further changes to TMA E are required?

ENWL response:

Yes, we agree with your recommendation to wait until the impact of the 5-point plan is better understood before forming a view on further changes to TMA E. However, we consider TMA E, in particular TMA E2 (CPAs), key to ensuring that similar problems to those of today do not reoccur in the future.

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

ENWL response:

Clearly, accelerating or otherwise fast-tracking one project ahead of another, thereby moving away from the first-come-first-served principle, is not without challenges. Of particular concern is the licence requirement for network operators to treat all customers fairly and to avoid discrimination, irrespective of their size or technology type. However, your proposals for accelerating projects based on their priority such as government mandate or wider social/economic benefits, has merits and, while recognising the importance of treating customers equitably irrespective of which network they are connection to, i.e. Transmission or Distribution, we broadly agree with your initial recommendation to examine these during the next phase of the reform programme. However, the proposal to base your decision to accelerate on the customer having submitted planning consents appears to have limitations by failing to account for the expectations of the application being granted or, if permission is granted, whether the customer actually intends to build out.

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

ENWL response:

We are pleased that both Reactive Queue Management (RQM) and RQM+, i.e. where there is a capacity gap created by a project in the queue, are to be included in the TMOs. However, we disagree with your preference for RQM+. As like with TMA F - accelerating priority projects – there is potential for introducing unfair or discriminatory treatment of customers. Furthermore, we believe that Proactive Queue Management (PQM) ought to be taken forward as there may be instances where a small project, i.e. one with a much smaller impact on the Transmission System, sat in second position in the queue and which is ready to connect is unnecessarily held up by a much larger project in first position in the queue but for which there are significant associated enabling works. Moving the smaller project from the second position to first has no detriment to the first customer.

<u>Target Model Options</u>

11. Do you agree these four TMOs present a reasonable range of options to consider for a reformed connections process?

ENWL response:

Yes, we agree that the four TMOs (Status Quo+, Gated without windows, Gated with early window, and Gated with a mid-window) provide a reasonable range of options for consideration. Given the timetable for publishing the outcomes of the review (and implementing the associated changes) any more than this may result in there being much less time available to consider the options in sufficient detail, thereby compromising the quality of any assessment. However, we would note that the options provide less information and more restrictions and do not been appear to have been considered from a customer's perspective.

12. 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?

ENWL response:

For TMOs 2 and 3 the suggested gate 1 process time is less than 3 months. For TMO 1 the process time remains as it is today, i.e. 3 months. Given the introduction of a pre-application stage, which applies regardless of chosen TMO, we believe that TMO 1 should align with TMOs 2 and 3 with a gate process time of < 3 months.

See also our response to question 17.

13. Are there any important TMOs we have missed?

ENWL response:

Yes. A variation that ensures at least equality of treatment between projects that will connect at transmission and distribution and arguably allows distribution projects, that are typically smaller in size and quicker to construct, the ability to connect earlier, particularly in instances where there is no detriment to other customers.

14. 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?

ENWL response:

It is unclear in what ways the possibility at Gate 2 of the POC date changing from the provisional date provide at Gate 1 might adversely affect any consent applied for or obtained. This is a matter for the developers, but it can be reasonably expected that in some instances, this uncertainty may become material in the consenting process.

<u>Recommended TMO</u>

15. Do you agree that TMO4 should be the preferred TMO?

ENWL response:

No, please see comments in our response to questions 16 and 17.

As well as being much easier to implement, we believe there is potential for greater customer benefits from the adoption of TMO 1 – Status Quo Plus. This allows the ESO to draw upon the benefits of the 5-step plan, including queue management, while maintaining the benefit of the current 'always open' to applications and a 3-month turnaround time for offers.

16. Do you agree with our design criteria assessment of the four TMOs? If not, what would you change any why?

ENWL response:

No.

The impact on all customers does not seem to have had due consideration. Whilst we appreciate that making it easier to study the network might bring benefits overall, the TMOs progressively mean that customers are restricted as to when they apply and have to wait longer to get full visibility of costs and timescales for their connections.

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

ENWL response:

Application window

Using an application window, i.e. a specific period in the year where the ESO is 'open' to receiving applications, may result in a concertina-type or application race effect with customer demand pent up over the period when the window is shut and then released at once as the window opens. This spike in the demand for connections would seemingly cascade through all subsequent stages of the connections pipeline.

For Distribution network connected projects, we think a window that is annual is overly restrictive on customers and has the potential to create a distinct disadvantage to Distribution connection projects as compared to Transmission connected projects, which we would strongly resist. We believe that customers would also resist the proposed approach.

Reserved Developer Capacity

Whilst we appreciate that some thought has been given to distribution network connected customers, we think there are fundamental flaws with the proposed RDC approach. The proposed approach that DNOs would need to apply within the same application window has several potential consequences:

1. **This effectively means that DNOs must create a similar application window but with an earlier cut-off period to allow time for these to be assessed and incorporated into the DNO application to the ESO. For connections less than 1MW then this might be feasible, however applications to connect at Distribution are routinely 50MW and more recently we have had applications up to 150MW and above. This creates too much volatility and would hamper our ability to forecast these with any degree of certainty. This would likely mean RDC is insufficient in size to cope with demand.**
2. **Two identical projects that applied separately for connection at Transmission and Distribution on the same day could end up receiving offers at very different times. If the customer applies to connect at Distribution but not in time to be included within the DNO's application and cannot be catered for with in the Reserved Developer Capacity (assuming it is approved), then the DNO would have to wait until the next window to apply. This could add a delay of a year or more in that customer receiving its offer. If so, this would be a much less customer friendly process than that of the status quo.**
3. **The description of an RDC in footnote 53 further limits the flexibility from a DNO perspective as it says it needs to be technology specific.**
4. **The approach creates an artificial block of capacity for distribution connected projects and assigns them to a particular tranche based on the year. This poses artificial constraints as to when they can connect, particularly if capacity is released from earlier tranches.**
5. **The case studies suggest that far from this being a capacity that the DNO can manage, the timing of the connections would need to be referred to and agreed with the ESO.**

The consultation makes it clear that there is much work still to do around the use of RDC. However, we think the issues above are fundamental flaws in the RDC and application window that will be very difficult if not impossible to overcome.

Gates

TMO 4 proposes two stage gates: gate 1, triggered upon application, allocates/reserves capacity but not a queue position; gate 2, triggered upon consent submission, allocates queue position. It is unclear if the allocation of capacity without understanding queue

position is of benefit to customers given the queue position is material to the likely date of the connection which in turn is key to the planning process.

The choice of gate will be critical. We would observe that the proposal to use submission of planning consent has limitations. We are unsure whether this will cause issues for developers being able to submit planning consent without clarity on their connection date. The submission of the planning consent does not mean that it will be granted or that the project will then progress forthwith. Also, the choice of this as a key assessment may convey an inherent advantage to some types of projects, e.g. if they are easier or cheaper to submit planning consent for.

Process Time

Acknowledging that it's an initial estimate, the consultation suggests the time taken to issue a gate 1 offer could be 9 to 12 months and a further 3 months for gate 2 – a total of 12 to 15 months after initial application. Notwithstanding the current use of a 2-step offer process, the status quo is 3 months. It's difficult to understand how moving from 3 months to, possibly, 15 months is in the customer's interest.

18. Do you think that there is a better TMO than TMO4? Whether that be TMO1 to TMO3, as presented, a materially different option, or a refined version of one of the four TMOs we have presented?

ENWL response:

Yes. See our response to question 15.

Key Customer and Technology Type Adjustments

T&D Interface

19. Do you agree with our views on DNO Demand in respect of the TMOs

ENWL response:

The use of the ModApp process for demand application isn't something we've used much of late. However, on the face of it, it would appear logical and perhaps simpler to align the processes for demand and generation connection. In both instances, we're attempting to understand the impact of the connection on the transmission System, and while those impacts will be different, the assessments ought to be very similar. However, as much as reasonably possible, we would encourage you to allow the DNOs to offer connections, perhaps via the use of GSP technical limits, without the need for Transmission Impact Assessment (TIA). A TIA ought to be done only where absolutely necessary, e.g. to protect the integrity of the System.

20. Do you have any views on the appropriate mechanism to incentivise accurate forecasting of requirements and avoid more RDC than is necessary being requested by DNOs?

ENWL response:

The need for RDC is a direct consequence of your proposal to introduce an application window. We've already outlined in our response to question 17 why we think this would be a backward step. The need for RDC further supports our position that the windows are not in the best interests of customers. Notwithstanding that the RDC mechanism will need further defining, the fact a mechanism is even needed is problematic. It will introduce additional complexities in the forecasting of capacity

and, if not suitably managed, introduce barriers to customers wishing to connect to GSPs without RDC available. Even if RDC is available, as we point out in our response to question 17, the DNO is not free to offer this capacity to its customers without first having agreed it with the ESO which is likely to add further delay and uncertainty to an already complex process.

21. Do you agree with our views on the process under which DNOs apply to the ESO on behalf of relevant small and medium EG that impact on or use the transmission system, including that (under TMO4):

i) DNOs should be able to request RDC via application windows to allow them to continue to make offers to EG inter-window; and

ENWL response:

We are not supportive of the use by the ESO of application windows. The need for RDC is a consequence of the unnecessary use of such windows. Today, when a DNO submits a Project Progression to the ESO on behalf of connecting customers, the associated GSP essentially is 'closed' to all future applications pending the outcome, i.e. acceptance or rejection by the DNO of the 'offer' made by the ESO. The DNO will of course continue to make offers during this period, but these are subject to the need for subsequent Project Progression and therefore subject to change. DNOs will choose when to submit the Project Progression to include as many customer connections as possible. The changes proposed in CMP 298 would go some way to address this current issue with is exacerbated by the current 50MW blocks that are typically made visible to the DNO. This process would seem a retrograde step, as it would perpetuate a current issue that currently slows down the time for a customer to receive a complete picture of both the transmission and distribution impacts in terms of timescales and costs.

ii) resulting offers should be for firm access until relevant EG has reached Gate 2 (at which point they can request advancement and an earlier non-firm connection date)?

ENWL response:

On the face of it, this appears to be a reasonable suggestion.

Directly Connected Demand

22. Do you agree that directly connected demand should be included within TMO4 and that the benefits and challenges are broadly similar as for directly connected generation?

ENWL response:

Yes, we agree.

Offshore

23. Do you agree that TMO1 to TMO3 would require a separate offshore process, and that this would result in material disbenefits?

ENWL response:

No comment.

24. Do you agree that TMO4 is the most aligned to the direction of travel for offshore projects? If not, why?

ENWL response:

No comment.

25. Other than the Letter of Authority differences are there any other TMAs which have specific offshore considerations?

ENWL response:

We remain broadly comfortable that the DNO applies to the ESO on behalf of its customers where there is reason to believe that the customer connection could have a material impact on the Transmission System. However, we believe that more could be done by the ESO to avoid the DNO having to apply in cases where the size of the customer connection to the Distribution network is small, e.g. around 10MW, and highly unlikely to have a material impact on the System. At the moment, the trigger for a TIA (and therefore the DNO having to submit a Project Progression to the ESO on behalf of the customer) is just 1MW. There are many instances where smaller sized connections, e.g. net zero inspired projects of 10MW solar PV additions to existing demand sites to offset energy consumption, are frustrated by having to queue for connection, often for many years, behind directly Transmission System connection large power stations. In most cases, these are connections at 11kV many miles away from the nearest GSP.

As for TMO4, we have major reservations about the proposed RDC process. Please see our answer to question 20 for further details.

Network Competition

26. 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?

ENWL response:

We consider there to be insufficient detail in the consultation for us to comment on your views on network competition in connections reform. However, we are supportive of any approach that supports increased competition, where it can be evidenced that in doing so is in the interests of customers.

Supplementary Target Model Add-ons

27. Do you agree with our initial recommendation related to each of the TMAs within this chapter? If so, why? If not, what would you change and why?

ENWL response:

Your recommendation appears reasonable.

Detailed Design, Implementation and Transitional Arrangements

28. Do you agree with our current views in respect of the implementation period?

ENWL response:

We believe that the 5-step plan offers ample opportunity for material improvements in the current process. This is why we prefer the Status Quo+ model – TMO1. This is seemingly the easiest of the various TMOs to introduce as it seeks to integrate the benefits of the 5-step plan into the exiting connections process.

29. Do you agree with our current views in respect of transitional arrangements? What are your views on how and when we should transition to TMO4?

ENWL response:

We don't believe you should be looking to transition to TMO4 as the benefits are highly uncertain and the complexity is high. Furthermore, there is a detrimental impact on distribution connected customers.

30. 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?

ENWL response:

Irrespective of the TMO selected, there are several code changes needed ahead of implementation. These can take months, sometimes years, to reach full approval. Whilst the significance of changes to connections processes is material to customers who ought to be given sufficient opportunity to comment, the need to implement code changes ought to feature as a priority for and be suitably coordinated by both Ofgem and industry.