
ADE response | Connections Reform Consultation

28th July 2023

Introduction

The ADE is the UK's leading decentralised energy advocate, focussed on creating a more cost effective, efficient, and user-led energy system. The ADE has more than 160 members active across a range of technologies, they include both the providers and the users of energy equipment and services. Our members have particular expertise in heat networks, combined heat and power, demand side energy services including demand response and storage, and energy efficiency.

Summary

The ADE is broadly supportive of the Connections Reforms proposed by the ESO.

There is clearly a need for relatively radical reform of the connections process at Transmission. For the ADE's members, the vast majority of whom are distribution-connected, our core concern regards how this will impact the T/D interface and whether it will improve the chronic delays faced by distribution connectees because of triggering transmission reinforcements. Whilst overall this proposal seems to have the potential to quicken transmission reinforcement which will help overall, we have concerns regarding the proposed process by which DNOs will feed into the batch process proposed in TMO4 and how far the proposed "Reserved Developer Capacity" will mitigate the even longer connection times expected as a result of this change.

Questions

Chapter 3 Foundational design options

Question 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?

Yes, the initial positions for the foundational design options align with our own values. We do not consider there to be large key options or variations that have been missed in the consultation document.

Question 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?

The ADE does not support capacity auctions at this stage as they may have unintended consequences, including larger companies outbidding smaller players.

Question 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?

Yes. There is so much reform currently underway, including with REMA, that this feels prudent.

Chapter 4 Pre-application stage

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

We support progressing TMA A to TMA C.

Further, the ESO needs to make TMA A data available to distribution projects so that developers can understand how they will be impacted by transmission works before applying to the DNO.

Question 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?

The ADE supports this.

Question 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.

We support the provision of as granular data as possible on future capacity and reinforcement works. This will support both transmission and distribution connections.

As set out above, the ESO needs to make TMA A data available to distribution projects so that developers can understand how they will be impacted by transmission works before applying to the DNO.

We would note that implementation of these changes in good time also aligns with the recommendations of the Energy Digitalisation Taskforce.

Chapter 5 Key target model add-ons

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

The ADE does not have a view on this question.

Question 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?

The ADE supports a more probabilistic and risk-based modelling approach to forecasting capacity.

The ADE does support some anticipatory investment given the scale of the challenge. We also note and are supportive of the ESO's statement that this could include both network and non-network solutions. However, we would not support the untrammelled spend on anticipatory investment without checks to consider whether the use of flexibility would be more cost-effective.

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

Mostly.

We agree that there needs to be more work in understanding who has the authority to designate that a project is a "priority" and therefore, merits an expedited connection. This work must consider the T/D interactions and the ability of relevant distribution projects to be considered "priority".

We very much agree with not carrying forward TMA F4 regarding auctions for expedited access, as it risks creating the same kind of bottlenecks through powerful actors, rather than prioritising based on need.

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

The ADE is supportive of this if it supports projects progressing more quickly and shorter connection times for distribution-connected projects. We would also note that distribution projects are already subject to queue management.

Chapter 6 Target model options

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

Yes.

Question 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?

For TMO4, the consultation envisages application windows being open annually. Annual windows is too slow and may become a significant blocker to project development. Biannual windows would be more appropriate given the need for greater acceleration of projects required to match the pace for net zero.

Question 13: Are there any important TMOs we have missed?

No.

Question 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?

We do not support this because it does not align with the planning process, under which the developer has 3 years from securing planning to developing a project. This creates additional risks and costs for developers and may mean that developers have to fund planning application (which can at times be up to £1m) ahead of any certainty that they will get a grid connection. This is not commercially practical.

Chapter 7 Preferred target model options

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

Mostly but caveated with the concerns below, of which the most significant is annual windows.

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

Yes.

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

One of the key challenges is wait times for a connection under the process of TMO4 for distribution projects triggering transmission reinforcements. In many cases, the connection times are already exceeding long, including for relatively small projects. Lengthening these connection times further will have a significant impact on decarbonisation.

The ESO must explore further options for reducing the 6-9 month wait and introduce biannual windows as a minimum should be a requirement under TMO4 to mitigate some of these timescales. Further, more work is needed on the proposed RDC mechanism. If there is no RDC in a given window when it was needed or the DNO gets this wrong, this could further lengthen connection times.

Question 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?

No, not at present. On condition that concerns regarding annual windows are addressed, we feel TMO4 represents a good balance of the need for much deeper reform, without considering more centralised, radical options.

Chapter 8 Key Customer and Technology Type Adjustments

T/D Interface

Question 19: Do you agree with our views on DNO Demand in respect of the TMOs?

The ADE does not have a view on this question.

Question 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?

Whilst the RDC mechanism has clear appeal theoretically, we have remaining concerns that need to be addressed in the detailed work to develop it –

- The risk that the DNOs get their RDC forecasts wrong leading to under-requesting RDCs (and thus further lengthening connection times at distribution), over-requesting RDCs (and thus creating excessive cost for consumers) or making other errors (e.g., applying for the wrong technology)
- The risk that the RDC process becomes a different stream within this overall process that takes more time and further lengthens connection times
- In terms of the process for implementation, we are also concerned about the scope of code changes to implement the new RDC process and the timelines for this

These concerns are informed by our members' experience of project progression where the DNOs have a poor track record of submitting project progression applications in a timely way.

Question 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 which impacts on or uses the transmission system, including that (under TMO4):

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

Yes. Inter-window offers, where appropriate, will be an important step for speeding up timelines of these processes, which is one of the key risks of the TMO4 approach for distribution-connected demand.

Regarding gates, we are supportive of this. However, it needs to be commercially realistic. It is not viable to ask projects to spend a significant % of the cost of the project to reach gates where there is no firm guarantee the project will go ahead.

In addition to this, we would propose the following changes –

- A Statement of Works representative should be ideally embedded in each DNO or there should be a clear route for distribution projects to talk with such a person (for example, connection surgeries), rather than only being able to talk to a DNO account manager who often do not have a detailed understanding of the project
- Distribution projects should be able to track their projects through the ESO connections portal, as transmission projects can
- As is being discussed here for transmission projects, there should be greater optionality in connections that trigger transmission reinforcements. In some cases, projects will be able to alter the design of their project to reduce or prevent the impacts on transmission. However, this discussion can only happen currently in exceptional cases and through informal channels. This should be formalised and made standard across all DNOs.
- DNOs currently have different rules for what triggers reinforcement. Whilst we recognise that the networks are constrained in different ways, this should be set out more clearly in writing through for example the ENA and as far as possible, standardised

Directly Connected Demand

Question 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?

The ADE does not have a view on this question.

Offshore

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

The ADE does not have a view on this question.

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

The ADE does not have a view on this question.

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

The ADE does not have a view on this question.

Network competition

Question 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?

The ADE does not have a view on this question.

Chapter 9 Supplementary Target Model Add-ons

Question 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?

We support TMA J, providing more optionality regarding connection design to help identify small changes that could be made and so avoid triggering reinforcement. For TMA R, regarding clawbacks for unused capacity, we consider that further work should be done on all the options to ensure best use of unused capacity and do not support clawbacks currently.

Chapter 10 Detailed Design, Implementation and Transitional Arrangements

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

Yes.

It is important that improvements to the T/D interface are not left out of the Minimum Viable Project. They need to be there from Day 1.

Question 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?

We support the short-term initiatives in the ESO's 5-point plan and the ENA's 3-point plan. However, ESO and ENA engagement with stakeholders has been somewhat variable. This needs to be improved.

Further, Ofgem needs to make CMP376 applicable to existing contracts. Otherwise, it will take many years for CMP376 to have an impact on the queue.

Finally, ESO and Ofgem need to give very careful consideration as to how the windows are phased in. If this is managed poorly, it may lead to a flood of applications just ahead of the change which would exacerbate the existing problems.

Question 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?

The ADE supports Government, Ofgem and the ENA being more radical in reforming the project progression process. At present, it creates very long connection timelines and a very frustrating process for connectees who often have very limited access to information about the progress of the work or of any issues arising.

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