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Sent by email to: [connections@ofgem.gov.uk](mailto:connections@ofgem.gov.uk)

Dear Peter

**Update on reform to the electricity connections process following proposals from the ESO – open letter**

Thank you for inviting views on the connections policy updates presented in Ofgem's 19 April 2024 open letter. Centrica welcomed the publication of the joint Ofgem DESNZ Connections Action Plan (CAP) in November 2023, and we are taking this opportunity to comment on recent developments and where further action may be needed.

Among the CAP actions, we see number 3.5 the end-to-end review of network incentives, obligations and requirements as key to improving the connections process for customers and removing distortions that may be stopping networks from delivering a better customer experience.

We've structured our response around the areas where Ofgem says it is most interested in receiving stakeholder views.

**Ofgem's position (including reference to Annex A)**

We are generally supportive of Ofgem's position. We believe that the ESO's TMO4+ proposal can contribute to the CAP objectives by 'raising the bar' to entering the queue and helping move towards a 'First Ready, First Connected' approach. We agree that the existing queue must be tested against the Gate 2 criteria.

There must be more focus on including financial instruments in TMO4+ for go-live. The CAP backed the use of financial tools and charges, as a way of ensuring only viable projects enter the queue and to avoid capacity hoarding or overholding. However, the CMP434 Proposal

Form implies that financial instruments at Gates 1 and 2 are not part of the ESO's minded-to position on Gate criteria and are only being "kept under consideration". In contrast, we understand the DNOs have informed the Connections Delivery Board (CDB) that they will add a requirement for new applications to demonstrate project financial viability<sup>1</sup>. Ofgem must ensure financial instruments are properly considered for transmission in CMP434.

We are still concerned that moving to an annual application window could adversely impact lead times for smaller, nimbler, projects. Allowing DNOs to apply for Distribution Forecasted Transmission Capacity (DFTC) for embedded generators may mitigate this, provided the DNOs and ESO can implement the DFTC arrangements sufficiently in advance of 1 January 2025. That requires the DNOs to have robust estimates of customer needs and agreement with Ofgem on how DFTC is accounted for in RIIO-ED2 by December 2024. The outputs from Ofgem's end-to-end review must incentivise DNOs to engage efficiently in the DFTC process on an ongoing basis.

As DNO customers looking to connect new generation projects, we have very limited visibility of how DNOs are preparing to implement DFTC. The same goes for the other steps where distributed generation (DG) customers will be relying on DNOs interacting with the ESO on their behalf – for example, where a DG project meets Gate 2 criteria, and that evidence must be submitted via the DNO. Ofgem must ensure the issues developers have had with DNOs not submitting Project Progression requests on time are not replicated with DFTC or Gate 2 submissions.

### **Ofgem's view of next steps (including reference to Annex B)**

Centrica is participating in the CMP434 and CMP435 workgroups. We're pleased representatives from the Ofgem connections team will be at each workgroup meeting. As well as advising on process, we hope Ofgem will intervene early on points of substance if there is any risk of the final design being rejected or sent back.

CMP434 has a very broad scope and timings for the CMP434 and CMP435 discussions are very ambitious. The ESO and Ofgem must be clear on what can be done during the Urgency process. At this stage we are missing a view on how ESO/Ofgem plan to implement necessary additional measures that can't be covered as part of the CMP434/435.

Ofgem and the ESO have both said licence changes are needed to enable delivery of TMO4+. We understand that Ofgem will need to have decided on those licence changes by 6 November 2024 to allow go-live of the new connections process on 1 January 2025. We hope Ofgem can share more information on its plan for those licence changes when responding to this informal consultation. The same goes for any Distribution licence changes needed to ensure effective DNOs participation in the DFTC and Gate 2 processes.

The DNOs have said they are progressing work on the arrangements to implement DFTC via the Energy Networks Association (ENA) Strategic Connections Group (SCG) DFTC working

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<sup>1</sup> ENA Integrated Queue Management sub-group proposal, as presented to the April 2024 Connections Delivery Board.

group. This is outside the scope of the CMP434 working group and, like other SCG activities, the work is completely opaque to stakeholders. Ofgem must ask the ENA to socialise this work

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as soon as practicable and seek stakeholder input to ensure that the arrangements meet DNO customers' needs.

### **Whether this proposal goes far enough – including the obligations and incentives for the ESO and network companies**

As mentioned above, we think financial instruments should have been considered as part of the TMO4+ base model. In particular, the proposal needs a mechanism to ensure we don't end up with a pool of stalled projects between Gate 1 and Gate 2. With the ESO proposing no securities or milestones before Gate 2, there needs to be a financial incentive to move stalled projects out of the Gate 1 'hopper'.

Ofgem must update the obligations and incentives on DNOs to reflect the new processes they need to engage under the TMO4+ proposal. Most developers of generation projects connecting at distribution level have experienced issues with DNOs failing to submit Project Progression requests for transmission capacity to the ESO in a timely manner. At a DNO major connection customer seminar this April, one solar farm developer said its average delay in Project Progression submission across 6 projects was 24 months. Centrica's experience with the same DNO has been delays of 8 to 9 months. Other DNOs have improved their performance and are submitting Project Progressions every three months or sooner, but the Energy Networks Association (ENA) has failed to act on stakeholder requests to agree a minimum industry standard for submission times.

TMO4+ will replace the current Project Progression/Transmission Impact Assessment (TIA) with new processes – including DFTC and DNO submission of customers Gate 2 evidence to the ESO. Ofgem must set DNOs specific obligations to carry out these tasks accurately and on time to avoid developers suffering from the same delays they have faced with Project Progression.

More generally we believe the obligations and incentives on DNOs for major connections are not fit for purpose. Our generation connections are being delayed because DNO connection teams are under-resourced and key non-contestable activities do not happen on time. If the DNO makes a mistake or fails to do something we have no recourse. The only meaningful obligation DNOs face is a requirement to provide connection offers within a specified period. This creates a distortion by incentivising the DNO to divert scarce resources to get offers out on time.

We would like to see additional obligations on DNOs spread out along the connections journey, such as minimum time periods to:

- hold a first formal 'kick-off' meeting after offer acceptance to discuss the plan of work
- appoint a project manager and designer to each generation project
- submit Gate 2 evidence to the ESO, after receipt of evidence from the developer.

The RIIO-ED2 Major Connections Customer Satisfaction Survey (MCCSS) measures customer's satisfaction in relation to pre-application, quotations, and final connection. This fails to capture the period after offer acceptance and before final connection, where 80% of the work and also 80% of the problems occur. Ofgem could address this by requiring DNOs to survey their customers every 6 months, instead of just post-offer and post-connection.

We've focused on DNO obligations because most of our projects have been connecting to the distribution system. However, the end-to-end review must also ensure better customer service from the transmission networks, noting the delays to customer outputs from the ESO's Five Point and Two Step Offer processes.

This response is non-confidential and can be published by Ofgem. If you would like to discuss anything in further detail, please contact me at [REDACTED].

Yours sincerely

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**Centrica Regulatory Affairs, UK & Ireland**