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By email:
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January 6th 2024

To whom it may concern,

Connections Reform – Policy Consultation on Required Licence Changes

SP Energy Networks (SPEN) represents the distribution licensees of SP Distribution plc (SPD) and SP Manweb plc (SPM) and the transmission licensee, SP Transmission plc (SPT). We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SPD), and Merseyside and North Wales (SPM). We also own and maintain the electricity transmission network in Central and South Scotland (SPT). As an owner of both transmission and distribution network assets, we are subject to the RIIO price control framework and must ensure that we develop an economic, efficient and coordinated onshore electricity system.

With a reported GB wide queue of over 750GW, and 68GW queue across SPEN's transmission network, SPEN is strongly supportive of the need for connections reform. We welcome the ambition of the NESO and other parties, in the suite of connections reform proposals which the NESO recently consulted upon. We therefore recognise the need for Ofgem to add and amend licence conditions to reflect the proposed connection reform arrangements.

We welcome the scope of the consultation that only those licence modifications that are strictly necessary to facilitate (or remove obstacles to) the efficient implementation of CMP434, CMP435 and CM095 are being considered.

When reviewing this consultation, it was not always clear from Ofgem's policy intent how the updated Licence conditions will interact with the Gate 2 to Whole Queue (G2TWQ) exercise. SPEN feel strongly that G2TWQ is a one-off exercise and is yet to be fully defined given the withdrawal of CM096, the resulting ongoing development of a new STCP and ongoing discussions within the Implementation Hub. Therefore, we are concerned Ofgem's approach could risk over prescribing and pre-empting discussions under the Implementation Hub (particularly where it concerns licence timescales). We would welcome Ofgem providing further clarity in its final decision following this consultation exercise and accepting that work is ongoing in determining terms of appropriate timelines to undertake this exercise which is both complex and reliant on the volumes of offers requiring review and rework, which at this stage is unknown. For the above-mentioned reasons, we don't think it is acceptable that the proposed licence changes are applicable to the Gate 2 to Whole Queue

exercise given ongoing discussions and the current uncertainty which still exists with the scope of this one-off exercise.

Whilst we understand why Ofgem is pushing for the TOs to have the same licence requirements as the NESO, we do not consider that in all cases this is necessary. One example is Ofgem's proposal that the TOs should be obligated under our licence to adhere to and input into the new Connections Network Design Methodology (CNDM). The CNDM has read-across to the Network Options Assessment (NOA) methodology, which whilst in the NESO's licence at C13, there is not a reflective obligation in the TOs' licences. Instead, the TOs' obligation to undertake and feed into the NOA process is set out within the STC. We question why a different approach is being taken to the CNDM and would suggest that for consistency, the TOs' obligations in relation to the CNDM, should sit explicitly within the STC, rather than the TOs' licence.

Further work is also required to the drafting at SLC D4A in the Electricity Transmission licence to reflect the fact that that TOs are not entering into an agreement with the NESO for Gate 1 offers. This is one example of potential inconsistency in the updated Licence conditions which do not reflect NESOs current proposals. (Under the CNDM issued 20th December 2024, 6.4.2 and 9.2.1 indicate the NESO will be responsible for determining the indicative date and locations for Gate 1, the TOs role is simply to review these). We expand on this point further in our consultation response.

At SLC D16.3, we don't consider that the proposed drafting changes to facilitate the Connect and Manage connection approach are necessary. The proposed changes are unclear in their intentions, whilst the current licence wording still enables Ofgem's policy intent to be captured.

Whilst specific updates to the Distribution Licence have not yet been proposed, it is important for DNOs that the necessary amendments are made to ensure that they can continue to comply with the licence obligations. In the context of the wider reforms and the other licence modifications required it would place unfair risk on DNOs if Ofgem did not add this clarity into the Distribution licence.

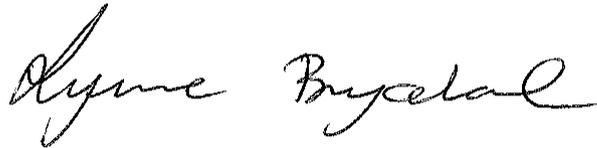
As we have set out in our response, specific clauses within the Distribution Licence should make clear that offering a connection that is not in accordance with the Connection Criteria would not be reasonable in the circumstances (as per s17 of the Electricity Act 1989 (EA 1989)). We would note that s16 of the EA 1989 requires DNOs to provide a connection in most circumstances and we welcome Ofgem's views on how proposed connections reforms can be reconciled with our statutory duties.

Finally, whilst we support the urgent nature of the Connections Reform proposals, the number of consultations and the window to allow stakeholders the opportunity to review and respond to this important consultation exercise has been challenging. Particularly for parties across industry who are already under significant pressure due to the extensive Connections Reform program. Whilst we are fully supportive of the urgent need for connections reform, we need to be able to execute these reforms to timelines which are mindful of colleagues' workloads and wellbeing, across all parties involved. This principle will also be important as NESO and network operators seek to introduce these extensive new processes this year. Therefore, we have prioritised certain sections of this consultation for response, however, we do not feel sufficient time has been given for us to

accomplish Ofgem and NESO's objective of considering this and the other Connections Reform consultations as a complete package.

Please do not hesitate to contact me if you require any further information on any of our consultation responses.

Yours sincerely,

A handwritten signature in black ink that reads "Lynne Bryceland".

Lynne Bryceland

Head of Transmission Commercial,
SP Energy Networks