

Response to Ofgem's Connections Reform - Policy Consultation on Required Licence Changes

KEY POINTS

- We are supportive of the package of connection reforms being driven by the National Energy System Operator (NESO) as they have the potential to improve the delivery of connections for GB customers.
- Our consultation response is largely focussed on points relevant to distribution company licences where there is a need to introduce changes and new terms.
- It is important that Ofgem (and NESO) are clear that the DNOs are not involved in NESO's decision-making process and the role of the DNOs is limited only to collating data and providing recommendations to NESO on whether or not the applications for transmission access meet NESO's readiness and strategic alignment criteria.
- A new licence condition is required for the DNOs to comply with NESO's queue management process and implement any decisions NESO takes as part of that process. This is additional to an amendment to distribution licence condition 4 to clarify that application of NESO's readiness and strategic alignment criteria would not restrict or distort competition and does not constitute a breach of SLC 4.1.
- Standard Licence condition 12 – requirement to offer terms for use of system and connection - should be modified to set out that distribution network operators (DNOs):
 - will not be required to offer to enter into an agreement for Use of System with applicants whose applications do not meet NESO's readiness and strategic alignment criteria; and
 - will not be in breach of SLC 12 in circumstances where the DNOs are required to comply with NESO's queue management criteria.
- The changes proposed for licence condition 12A - requirement to progress user applications into the gated window process – are appropriate.
- Ofgem needs to take action to mitigate the risk of a potentially significant number of requests for determination under section 23 of the Electricity Act 1989 (the "Act"):
 - It should consider whether section 17 of the Act should be amended to clarify that the application of NESO's readiness and strategic alignment criteria is an exception from the duty to connect under section 16 of the Act. So as to ensure consistency between statutory obligations and new obligations arising from the licence changes.
 - It should issue a policy statement that clarifies that it is not reasonable in all the circumstances for a DNO to be required to make a connection in the scenario whereby a DNO's compliance with NESO's readiness and strategic alignment criteria and implementation of the decisions NESO takes as part of that process results in a particular connection not being able to be made.
- A modification to standard licence condition 19 is required to remove doubt by clarifying that the application of NESO's readiness and strategic alignment criteria and decisions by the DNOs does not amount to "undue" discrimination between one type of applicant for a connection and another.
- It is not appropriate to include in standard licence condition 20 an obligation to comply with the Clean Power 2030 Action Plan and the Strategic Spatial Energy Plan because it is unlikely that those documents will be sufficiently clear as to the obligations that they actually place on the DNOs.
- No changes to the Electricity Distribution Special Licence conditions are required.