

Email to:

[connections@ofgem.gov.uk](mailto:connections@ofgem.gov.uk)

16 June 2023

Dear Akshay,

## **Response to Ofgem's Open letter on future reform to the electricity connections process**

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs and social benefits and reduce the carbon emissions which cause climate change. Our 330-plus members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

Scottish Renewables welcomes the opportunity to respond to Ofgem's Open letter on future reform to the electricity connections process, as well as the recognition from Ofgem that the current connections process is no longer fit for purpose and that change is necessary for the UK to meet its decarbonisation targets.

We agree with the challenges as set out in the open letter in Section 1. It's evident that the 'connect and manage' approach to the connections process is not capable of delivering a rapid connection of large numbers of renewable energy projects, consisting of a wide range of technologies. This has been recognised by National Grid ESO, which has been undergoing a connections reform process since last year. To date, we have seen several tactical initiatives taken by the ESO to try and tackle the issues on the connections queue:

- The **TEC Amnesty** allowed projects to leave the queue without having to pay the usual financial penalty to do so. This has facilitated the exit of ~8GW of capacity from the queue, but with the remaining capacity still sitting at over 300GW, the impact of this measure will be minimal.
- The **2-Step Connections Process**, which currently has no significant impact in Scotland, offers customers an initial proposal, followed by a follow-up offer within 9 months of acceptance which will identify the associated transmission works, programme, charges, connection site and any updated terms from the initial offer. This has given the ESO some breathing room to enact forward-looking reforms to the system but does not affect the existing queue.

- **CMP376** has recently been submitted to Ofgem for approval. The connections process will now involve 'queue management', where projects must demonstrate progress at specific timed 'gates' to maintain their place in the queue. This new tool is welcome and helpful in managing the queue and can help to eliminate stagnant 'zombie projects', freeing up vital capacity. However, it does not tackle the issue of the large number of projects that already have agreements in place.
- **CMP330/374** on contestable works sets out changes to enable developers to build the required network to connect to the transmission system, up to 5km.

### **Ofgem's role**

We are pleased to see Ofgem's commitment in the open letter to taking on a central role in reforming the connections process. We are supportive of the aims and guiding principles set out in Annex A and welcome Ofgem's commitment to the connections process being an enabler rather than a barrier to decarbonisation. We note that that the open letter signals the need to consider radical and bold transformation to the current connections queue rules, for example by moving away from 'first come, first served' and prioritising particular technologies or locations, or readiness to connect. We therefore look forward to the joint Government/Ofgem connection reform action plan planned for later this summer and to working with Ofgem to develop policy proposals in this area.

Alongside government, Ofgem has an important role to play ensuring that the ESO and network companies have a strong regulatory and legal basis to carry out the necessary actions to reduce the connections queue. Specific to connections, we believe that **Ofgem and government must provide the network companies with a regulatory and legal basis with which to take retrospective actions against some projects with existing agreements.** Currently, the proposed reforms will mainly impact new projects seeking to join the queue, and not those already in it. The connections queue as it stands already has over 300GW of capacity waiting to connect, while NGESO estimates up to 70% of projects in the queue will not lead to a grid connection.

**Scottish Renewables is ready to support Ofgem, the government and NGESO in identifying and tackling the issue of 'zombie projects' in the connections queue.** We believe that a fair and proportionate method of dealing with the growing number of projects in the connection queue has been needed for some time, but it is essential that decisions on moving or removing projects are made with the best evidence available to avoid unintended consequences. We acknowledge that some generation projects may be adversely affected, but implementing sensible and targeted retrospective measures will ultimately benefit the entire industry.

We are also happy to engage in the ongoing consultation and decision-making process taking place to work towards an enduring, long-term solution to connections that are suited to the new reality of a renewables-dominated system. We will continue to engage with the ESO as it consults on options for the future connections process, as well as working with the government, Ofgem and other stakeholders to implement the recommendations from the report by the Electricity Network Commissioner, Nick Winser.

Beyond reform of the connections process, there are other areas that are relevant to Ofgem in which progress could be made that would significantly impact connections timelines:

- **Transmission Delivery** – speeding up transmission delivery solves the physical problems that lead to a long connections queue by adding more capacity to the system. Currently, new transmission lines are taking 8-12 years to deliver, which is not fast enough to provide new network capacity. Ofgem’s ASTI programme has been a welcome change in approach and should be seen as the basis for a lasting regulatory process.
- **Holistic Network Design (HND)** – the HND was supposed to identify and accelerate the delivery of a more coordinated offshore transmission network and associated onshore works. Delivery of the HND and follow-up exercises will ensure that the UK meets its target of 50GW of offshore wind by 2030, as well as taking a lot of capacity out of the queue and onto the grid. However, developers are still waiting for updated connection offers and in the HND In terms of the follow-up exercise, Celtic Sea developers are still waiting to see initial designs, while progress in the ScotWind projects has been subject to delay. There is also a role for Ofgem and the industry to help develop a framework for offshore coordination and Anticipatory Investment (AI).
- **Investment ahead of need** – the UK Government’s draft Strategy and Policy Statement (SPS) calls for the Future System Operator (FSO) to produce a Centralised Strategic Network Plan (CSNP) that will facilitate network investment delivered ahead of need. For this to work in practice, there must be clear indications from both government and Ofgem that this investment will not be disallowed at a later point. By having grid capacity ready ahead of time, renewable energy projects will be able to plug in immediately rather than having to wait for new infrastructure to be built to connect. While there is currently room for the TOs to deliver ahead of need, in practice the risk of cost disallowances means they are unable to work at risk. As such Ofgem should be clearer as to how it will facilitate investment ahead of need.
- **Ofgem remit reform** – Scottish Renewables has welcomed the upcoming change to Ofgem’s remit to include net-zero as part of the current Energy Bill. We believe that this was a much-needed change, as the update of Ofgem’s legal remit to include net-zero will effectively support the required development of the grid ahead of demand, benefit regulatory decisions for renewable deployment, and provide the UK with a more flexible decision-making

regulatory environment aligned with government priorities. We also believe this will give the regulator a strong statutory basis for achieving the aims set out by the governments of the UK. Ofgem should give thought as to how this additional area of focus can be used as a statutory enabler to deliver a decarbonised network, as well as a focus on system-wide and longer-term benefits, beyond short-term costs. A new approach to regulatory approvals, based on regulation for net-zero, could positively contribute to all the issues that cause long delays to connections.

Scottish Renewables would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

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