Regen response

Connections Reform Consultation Response

Response to the NESO Connections Reform Phase 3 - Detailed design framework changes

December 2024

Introduction

Thank you for the opportunity to respond to this important consultation.

Regen has been closely engaged in the reform of the connections process, drawing on the expertise of its 200 member organisations. We have held a working group on the consultation proposals attended by over 100 members and discussed the key issues at our recent conference on storage with the Energy Minister, Michael Shanks and with Jack Presley-Abbot, chair of the Connections Delivery Board.

We have provided a forum to support our members to respond on their own behalf on the details of the reform. We have set out below a Regen response on four areas where there has been a greater degree of consensus from industry:

- Clarity and consultation on what technologies are required where?
- An investment hiatus.
- Competition & interaction with CfDs.
- Queue order

About Regen

Regen is an independent centre of energy expertise with a mission to accelerate the transition to a zero-carbon energy system. We have nearly 20 years' experience in transforming the energy system for net zero and delivering expert advice and market insight on the systemic challenges of decarbonising power, heat, and transport.

Regen is also a membership organisation, managing the Regen members network and the Electricity Storage Network (ESN) – the voice of the UK storage industry. We have over 200 members who share our mission, including clean energy developers, businesses, local authorities, community energy groups, academic institutions, and research organisations across the energy sector.

Response

Regen is supportive of the process of connections reform. The current processes for connecting to the transmission and distribution networks have led to long timelines to connect and are not fit for purpose for the energy transition. The shift to strategic planning of the energy system also means that reform is required to align connections policy with these plans. We are grateful for the work put in by NESO, and many in the industry, into developing an entirely new connections process on an accelerated timeline.

Our response is focused on how connections reform will impact achieving the CP30 mission and support the GB market to attract the scale and pace of investment in generation and storage projects required.

1. What technologies are required where?

A key factor in the impact of connections reform is the CP30 plan for different energy technologies in each geographical area. This is the first time such a strategic plan has been established and, inevitably this is a challenging process to get right. In particular, the connections queue data on which these 'technology pots' have been based were not designed for this purpose and are not necessarily a reliable basis on which to base analysis.

Whilst CP30 provides an overall breakdown of the different energy technologies and some indication of the geographical distribution, it does not include a clear breakdown of the 'technology pots' in each zone. Industry has not, therefore, been able to comment on the methodology behind the geographic breakdown and results it has produced. They have also been unable to fully analyse the implications of the combination of the CP30 plan and connections methodology on their projects, causing uncertainty and delaying investment.

We recommend that NESO and DESNZ:

- Set out clearly the methodology behind these technology pots.
- Publish a data workbook on how much we 'need' of what technology where.
- Provide industry with an opportunity to comment on this methodology and the spatial distribution of technologies, before this is formally adopted by government.

2. Investment hiatus

Under the proposed timelines, developers will receive an updated grid offer by the end of 2025. For many developers, this will provide a welcome opportunity to accelerate their projects. However, a grid connection agreement is a key part of the development process and is required to achieve a final investment decision (FID) on a project. Once a FID has been taken supply

chain constraints mean that projects may take some time to be able to be built out and energised. There is, therefore, a risk that the connections reform process will lead to a hiatus in investment. Such a hiatus is the last thing we need to achieve the ambitious CP30 mission.

The consultation recognises this point and proposes that projects in construction and due to connect in 2026 are exempted from this process and moved to the front of the queue. However, there is industry consensus that a longer exemption (and clearer definition) is required to minimise the risk of an investment hiatus.

We recommend:

- A longer exemption is provided, at least for projects due to connect by the end of 2027 and possibly for longer. Projects with CfDs and CM contracts should also be exempted. This may need to vary for different technologies.
- A clear definition is established of projects that qualify for this exemption. We have asked our members to include proposals in their responses.

3. Competition & interaction with CfDs:

The current proposals propose that 'Phase 1' includes all the projects required to achieve CP30 – and no more. Any projects dropping out will be replaced by others in 'Phase 2' accelerating their timescales. The advantage of this is networks can design and build the network we need. However, this model creates risks for CP30 delivery and value for money for consumers. These are:

- The process of replacement will not be seamless and will take time. Projects are likely to hold on to connection agreements as long as they can, using 'exceptional circumstances' provisions etc, making it difficult to accelerate later projects in time.
- It is important to maintain public support that generation and storage projects are well designed, in line with planning policy and good value for money. We do not want the government or its agencies to be under pressure to ensure projects that do not meet high standards or deliver value for money proceed in order to meet a key government mission.
- The design of CfD auctions requires competition to drive value for money for consumers. If we have exactly the right level of projects, that makes competition harder to achieve.

We recommend:

- A significant level of attrition is built into the 'Phase 1' connections queue and maintained as projects drop out. This may require a clearer process to enable the substitution of projects with others in different geographies.

4. Queue order:

The consultation proposes that projects that applied at transmission are placed in the revised transmission queue based on the date of application. Projects that applied at distribution are proposed to be placed in the transmission queue based on the date that the DNO 'batched' them up and sent them to transmission – which will be many months, and sometimes years, later than they applied. This will be seen by many as 'unfair', which creates a greater risk of challenge.

However, we recognise that a more far-reaching re-ordering of the queue could lead to a longer grid redesign process and further delays.

We recommend:

Using the date of application for a connection to the grid, whether that was at distribution or transmission, as the 'clock start' date is a fairer way of applying Gate 2 to the existing queue. However, there needs to be an assessment of the viability of this approach.

Yours sincerely,

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