National Grid ESO
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National Grid ESO response to Access and Forward-looking Charges Significant Code Review: Consultation on Updates to Minded to Positions and Response to June 2021 Consultation Feedback.

Dear Patrick,

This response is on behalf of National Grid Electricity System Operator (NGESO) and is not confidential. National Grid ESO is the Electricity System Operator for Great Britain. We balance electricity around the country second by second to ensure that the right amount of electricity is where it's needed, when it's needed – always keeping supply and demand in balance. As Great Britain transitions towards a low-carbon future, our mission is to enable the sustainable transformation of the energy system and ensure the delivery of reliable, affordable energy for all consumers. We use our unique perspective and independent position to facilitate market-based solutions which deliver value for consumers.

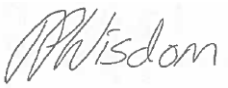
We are supportive of the decision that charges for small distributed connected generators will not be taken forward through this significant code review, and that the broader Transmission Network Use of System (TNUoS) methodology should be considered first. This will allow parties to understand the impacts that charging TNUoS to distributed generators could have on their business models over the longer term. We also believe that demand TNUoS charges, although not specifically mentioned in this consultation, should follow a similar approach, and be removed from this SCR. As mentioned in our TNUoS reform call for evidence response[1], we are very supportive of a review for TNUoS, and believe this should be done in a holistic manner. Removing all elements impacting TNUoS from this SCR is a positive step in that direction.

We are also supportive of having clearer access arrangements at distribution and believe this will provide more certainty for parties looking to connect to the system. We note however that it is essential that we understand how these access rights will work in practice, particularly due to the interactions between transmission and distribution (including that of the connections process) and the increasing need to consider whole electricity system impacts. This means understanding how flexibility services will work in practice and whether they can be stacked or not, as well as considering how decisions on the system may affect access rights for users. An example of this is our work on 'primacy' through the Open Networks Project where we are considering which rules should apply during potential service conflict scenarios, whether transmission or distribution system operators are accountable for the 'primacy' action and the likely cost of such decisions on affected parties and GB consumers as a whole. This may become more complex in light of the new access arrangements, and, depending on which party takes the 'primacy' action, could impact on the curtailment limits (and any associated compensation mechanisms) of users at distribution.

Our detailed response to questions raised in the consultation document is appended to this letter.

We welcome the opportunity to further discuss the points raised in this response and look forward to working with both Ofgem and industry as the detail of these reforms are worked through. Should you require further information please contact James Stone in the first instance at James.Stone@nationalgrideso.com.

Yours sincerely



Jonathan Wisdom

Code Change Delivery Senior Manager
National Grid Electricity System Operator

[1] https://www.nationalgrideso.com/document/221111/download

Appendix

Our answers to those questions of specific relevance to the ESO raised by the consultation are as follows.

Question 2e: Do our updated proposals to treat storage in line with generation for the purposes of connection charging simplify charging arrangements for these sites and better align with the broader regulatory and legislative framework?

We agree that the proposal to no longer assess import and export reinforcement separately for storage and move to a single reinforcement charge calculation similarly to that of generation will simplify connection charging arrangements for these sites. Reducing the complexity of storage charging arrangements by having a single consistent calculation should ensure storage connection costs are more accurately calculated. This may make the development of such projects more economically viable and thus potentially bring forward further storage capacity on the network, which is a necessary step, as detailed in our Future Energy Scenarios[2], in the drive to achieve Net Zero targets efficiently and securely.

We consider that the updated proposals to treat storage in line with generation will also better align with the broader regulatory and legislative frameworks as storage is considered generation under the Electricity Act and is also clearly defined in the electricity generation licence. It would also ensure consistency with the treatment of storage at transmission levels. An example of this is the Security and Quality of Supply Standard (SQSS) which sets out the criteria and methodology for planning and operating the transmission system and which currently treats any power infeed, including storage connections, the same from a design perspective - with storage customers applying for a connection subsequently agreeing a generation contract (defined in the Connection and Use of System Code and the Grid Code) whereby they then have access to an agreed level of Transmission Entry Capacity (TEC).

Question 2f: Do you agree with our proposals regarding the treatment of in-flight projects (ie that they should not be permitted to reset their connection agreement and retain their position in the queue), noting they retain the right to terminate and reapply from 1 April 2023 should they wish to be treated under the proposed connection charging boundary?

In the interest of fairness for connecting customers, we agree that any existing in-flight connection projects where connection applications are either made, or in process prior to the transition to the 1 April 2023 charging boundary changes, should not be allowed to reset their connection agreement whilst also maintaining their original queue position.

We agree with the principle that any in-flight project which seeks to take advantage of the shallower charging boundary and benefit from lower connection costs should be able to do so via the existing right to terminate - with the requirement to then re-apply (under the proposed new charging arrangements) and essentially be treated as a new application falling to the back of the connections queue. This principle is consistent with the Energy Networks Association (ENA) 'Connection Queue Management' policy which should already be familiar to connections' parties, whereby a connection agreement can be terminated (either by the applicant or the Distribution Network Operator) with any re-application then being provided a new position in the connection queue.

Question 2i: Are there any risks associated with our proposals to allow current non-firm connected customers to seek a firm connection following the changes proposed by our SCR? Do you agree that existing non-firm connected customers that do seek a firm connection should be processed through existing queue management processes as determined by DNOs?

We consider that introducing a shallower connection charge could encourage large volumes of applications from non-firm connected customers seeking to obtain a firm connection from 1 April 2023, which could result in additional pressure on the Distribution Network Operators (DNOs). The current DNO queue management process has a significant number of 'stage gates', so any influx of applications (following the changes proposed) could present risks from both a DNO system and resource perspective which in turn may impact their ability to process applications in a timely manner and lead to delays to connections. Furthermore, an increase in applications may result in additional pressure on the NGESO connections team, from an

[2] https://www.nationalgrideso.com/document/199871/download

administration perspective, in terms of processing Statement of Works applications from DNOs on behalf of these generators.

While customers already have the right to apply to 'firm up' their connection there may be some existing non-firm 'legacy' customers who have not sought to do so, as in reality, they have been accustomed to having the necessary level of access to the system when they require it - even though they may not have explicit 'firm access' rights detailed within their contract. The changes proposed by the SCR are expected to encourage more applications looking to agree firm access, which could be to the detriment of those 'legacy' customers as this may have the impact of eroding the level of access those customers have become used to. Therefore, we believe that any process used to assess such non-firm to firm connection applications (including those that wish to move from Active Network Management (ANM) schemes) should apply a consistent baseline which considers the level of access those 'legacy' customers already have on the distribution network.

We agree that it is prudent to use the current DNO queue management processes (adapting them where necessary) to manage those existing non-firm connected customers that seek to obtain a firm connection. However, we understand that the current queue management policy may benefit from further clarity and use of a common understanding across the DNOs of what a non-firm and firm connection might be and how this might compare or align (and interact in terms of flexibility services) with those definitions of non-firm and firm connections already adopted at transmission. For example, for a connection to be considered as 'firm' at transmission, a party needs to adhere to a suite of standard 'technical' conditions (which essentially offer additional engineering security to the overall system). Should this level of 'firm' access be removed then there is a clearly defined and codified route detailing the connection standard that must have been removed for the connected party to be eligible for any associated compensation. We consider that where possible, aligning such concepts across distribution and transmission could deliver improved consistency in terms of treatment and provide transparency for connecting customers.

Question 3a: Do you agree with our proposal to exclude customer interruptions and transmission constraints from the definition of curtailment with respect to distribution network access arrangements?

We agree that the definition of curtailment in relation to distribution access should exclude customer interruptions (due to network unavailability) as these, we consider, are primarily caused by faults or damage to the distribution system and could not be deemed as an action purposefully taken by the DNO to restrict conditions of a connection.

However, constraints at transmission can have an impact at distribution, sometimes resulting in actions being taken on the distribution system, which may ultimately lead to distribution users being taken off the system due to services they have opted to provide. Therefore, rather than attempting to exclude transmission system needs when defining curtailment at distribution, it may be beneficial to focus on identifying those 'actions taken to operate the transmission system' and the various drivers for these actions. Determining the process for agreeing which system need drives the requirement for a system operator action and therefore whether this counts towards the distribution networks curtailment limits may also need to be considered and potentially codified. In addition, those costs associated with any action that takes a distribution connection beyond the defined level of curtailment may also need to be factored into a wider cost benefit assessment so that the methodology is fully reflective of the true costs of system operation.

Question 3c: Do you have any views on the principles that should be applied to ensure curtailment limits are set in a consistent manner?

We believe the DNOs are best placed to define how curtailment limits for customers connected on the distribution system are defined and that the proposal to base these on the overarching principle of maximum overall network benefit seems appropriate. We consider that whichever methodology is defined will need to be applied in a standardised manner across the DNO networks which should then allow for improved consistency and transparency for those connecting customers. We also note, any baseline curtailment limits eventually approved will need to be considered from a whole system perspective taking account of the Electricity System Operator (ESO) requirements for access to a liquid market where it can readily procure flexibility services (and capacity) from distribution connected parties.

Question 3g: Do you have any comment on our proposal not to further define or standardise time-profiled access arrangements?

We consider it is prudent to not further define or standardise time-profiled access arrangements at this stage as it is still unclear as what benefit these changes might deliver compared to the arrangements under the status quo. The Market-wide Half Hourly Settlement (MHHS) Programme looks to support the transition to Net Zero through more flexible use of energy on the electricity system. This project is currently being mobilised and due to go live in 2025, and it is expected to deliver significant improvements in customer data to allow industry parties (including DNOs and innovators of new product offerings and flexibility services) to better understand customer behaviours to help better match supply and demand on the electricity grid. As such, we believe it may be more appropriate to revisit standardised time-profiled access arrangements when the MHHS is fully established and flexibility and behavioural responsiveness at distribution level is better understood.

However, regardless of the proposal to not standardise time-profiled access, there are some DNOs which may to a degree, already be utilising time-profiled access arrangements to manage their networks. We consider that any users which have such an arrangement with a DNO, but which also provide services to the ESO (such as participation in the Balancing Mechanism) should be responsible for ensuring the ESO is provided full visibility of any access arrangements which may interact with the services they have already agreed to provide at transmission.