The Voice of the Networks

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association

**Energy Networks Association**

**Open Networks WS2 P2&3**

**Connections Queue Management and Application Interactivity**

**Consultation Outcome and Next Steps**

# Introduction

- Network companies are leading changes to connections practices to initiate consistent approaches across GB that deliver fair and efficient allocation of available network capacity to enable new generators and loads. By so doing, the costs of the low carbon transition may be minimised and connections simplified for customers.

- Workstream 2 Products 2 & 3 on Application Interactivity and Queue Management published a joint consultation which was open for 8 weeks and closed on 25 September 2019.

- The purpose of the consultation was to seek views from stakeholders on a 'minded to' policy standard to be applied for the first time across all GB network companies – distribution and transmission.

- The outcome of this consultation is being used to develop an implementation plan for both policy frameworks by the end of 2019. This will include an assessment of implementation cost/benefit as well as identifying any necessary licence or industry code modifications.

# Overview

- 8 week consultation process

- Good reach:

  - ENA Webinar (40 attendees, over 20 Questions)

  - SSEN Webinar

  - LinkedIn Blog (over 100 readers)

- Good level of response:

  - 19 responses received from a broad range of stakeholders
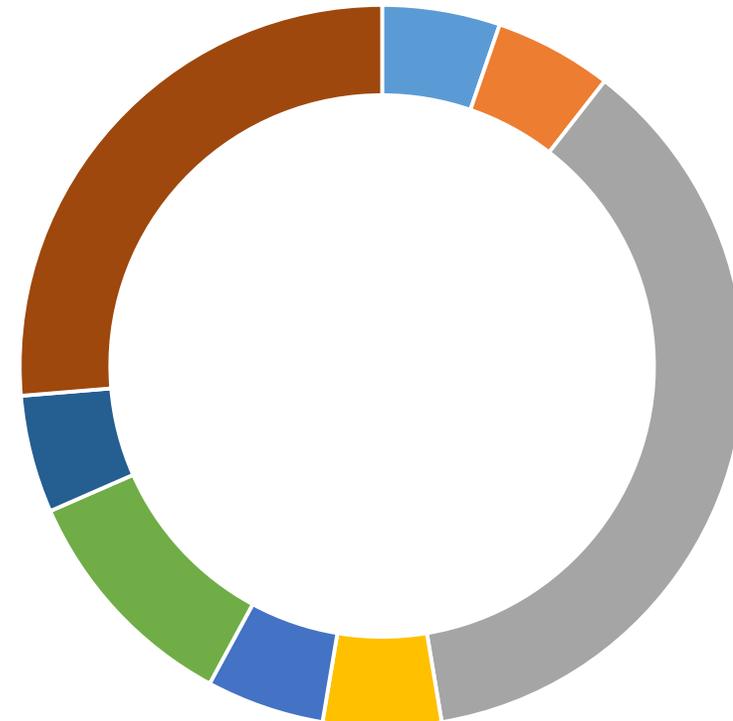


- Consumer group
- Local authority
- Generation
- Generation/ Supply
- Generation/ Storage
- Networks business
- Supply/ Storage
- Trade Association

# Key messages in responses

**Application Interactivity**

- Broad support for policy proposal

- Some detailed comments on related topics

**Connection Queue Management**

- Support for the principle of queue management

- Support for the proposal to promote flexibility in the connection queue where it frees capacity for others (action 1.6 of Smart Systems and Flexibility Plan)

- Concern raised on the detail of the policy - particularly around the risk of customers being penalised on prescriptive time-lapsed application of milestones for issues out with their control

# Next steps – by end 2019

**Application Interactivity**

- Produce a guide to explain the 'conditional' process in more detail, taking into account comments and suggestions by stakeholders and publish as a Good Practice Guide for all DNOs on the ENA website
- Develop an implementation timetable for network companies to roll out the new process
- Prepare a process to apply the 'conditional' interactivity approach to connections across Transmission and Distribution (across Distribution and iDNOs to follow in 2020), where there is interactivity between customers connecting to different networks

**Connection Queue Management**

- Engage with individual respondents on the issues raised of issues outside their control to understand specific scenarios to enable greater policy clarity on how to manage project changes
- Produce a guide to a) set out the good practice to be implemented on the changes to milestones and promotion of flexibility in the queue, and b) revised minded to position on managing project changes
- Develop an implementation timetable that includes how to test revised proposals – either through additional Open Networks consultation or code change working groups

# Energy Networks Association

## Appendix

## Application Interactivity

## Consultation Question Responses

# Application Interactivity options

- The consultation sought stakeholder feedback on three interactivity processes:
  1. Moratorium process – currently used by more network companies;
  2. Conditional process – currently used by UKPN;
  3. Cumulative – a new option developed by the group.

- This consultation proposed a 'minded to' position to move to a '**conditional**' interactivity process. The stakeholder responses were positive, such that this approach will now be taken forward into a Good Practice Guide for all DNOs to be published on the ENA website.

- The intent is that this common process will be used by all network operators, including TOs, DNOs, and IDNOs, all of whom will need to change existing interactivity processes.

# Application Interactivity – seeking stakeholder input

**Q.1 – Do you agree with the 'conditional' interactivity solution being proposed as the preferred solution?  If not, what reasons do you have for preferring a different solution?**

There were 19 stakeholder responses to the consultation of which:

- 13 agreed with the 'minded to' approach with some providing additional comments.

- 4 were generally/broadly supportive but didn't specifically answer the question.

- 1 chose to focus only on the queue management questions.

- 1 who suggested general governance points for any interactivity process.

## Stakeholder comments

Stakeholders thought that the 'minded to' conditional approach:
- Presented a fairer method
- Would ensure consistency across all transmission and distribution network companies
- Allowed customers to maintain queue position
- Represented the most time-efficient and straightforward means of allocating capacity
- Offered an easy to understand solution without perpetual moratoria
- Allows enough time to fully consider the offer, does not put off acceptance with high up-front reinforcement costs.

A number of stakeholders expressed their concern over the 'cumulative' approach, and thought that the bad news first approach would be a blocker to accepting offers.

One respondent re-emphasised the important of accuracy of information and getting offers right first time.

# Stakeholder comments (continued)

Stakeholders provided some additional points for consideration, but which are out of scope for this product:

- Application of assessment and design fees during interactivity. This process will not define a standard approach to A+D fees, but will require each network company to be clear about their own approach.
- Network operators should undertake an initial interactivity assessment, which should be complete within the 14 days A&D fees cooling off period. It's likely that this will be difficult to manage for all applications, especially large connections in complex networks.
- Highlighting areas where interactivity may be likely in pre-application information, such as heat maps and budget estimates.
- Focus needs to remain on 'accepted not yet connected' schemes to ensure they progress against milestones without unnecessarily holding capacity (i.e. the queue management process).
- Challenging connected DER on unused capacity.

# Connection Queue Management

**Q2. Do you agree with the proposal to form the connection queue (subject to interactivity) based on the date that the customer accepts the connection offer? If you do not agree, please provide justification in your response**

## 12 Agree

## 5 Disagree

## 2 Impartial

- Broad agreement with the proposal to form the queue based on the date that the customer accepts the connection offer.
- Some concerns raised with errors in offers being issued
- CfD timing also raised as a concern.

**No substantive changes required to minded to policy proposal as a result of this question**

# Connection Queue Management

**Q3. Do you agree with the preferred queue management milestones, timescales and evidence requirements? Are there any projects where you think milestones should not be applied? Please provide justification**

## 6 Agree

## 11 Disagree

## 2 Impartial

A large number of respondents have set out concerns with the milestones in respect to specific technologies or issues out with a customer's control. While we do not believe it would be appropriate to make changes to the milestones such as setting them on a case by case basis, we acknowledge the concern around issues that are out with a customer's control and will set out plans to address these concerns in the implementation plan.

# Connection Queue Management

| | |
|---|---|
| Requests for milestones to be applied on a case by case basis | • The milestone timescales and tolerance requirements are intended to strike the right balance between allowing developers to manage that uncertainty and giving network companies confidence in managing projects that are not progressing, Consistency and transparency is a critical part of that balance. |
| Significant number of requests for the policy to recognise that actions should not be taken where reason for delay is out with customer's control | • We recognise this concern where there is a delay driven by the network business or due to force majeure. We intend to engage further with respondents to understand the issues they believe are out with the customer's control, which we will then review and set out more detail in our implementation plan on how we will manage issues. |
| Concerns with planning requirements – particularly for long lead time projects | • The milestone timescales set by the DER steering group are intentionally challenging and intended to drive a change in behaviour. However we recognise that in some instances a permission may expire before the connection date under the proposed rules. We will set out more detail on how this will be managed in our implementation plan |
| Question of whether the policy will apply to all customers or just new? | • Queue management policy will be most effective where it applies to all customers. However, certain aspects of implementation will require Ofgem approval through code modifications. The implementation plan will set out a timetable for these changes . |

# Question 4

Q4. Do you agree with the preferred approach to providing 'tolerance'? In particular, we would welcome your views on the following;

I. The concept of tolerance and cumulative delay

II. The timescales set out in table 1 that will be used to determine projects that are 'at risk'

III. The timescales set out in table 2 that will be used to determine if a project is subject to termination

## 8 Agree

## 9 Disagree

## 2 impartial

While there was broad support for the concept of the milestones a number of responses raised specific issues with the application of the rules. Particularly in respect to

- Issues out with a customer's control
- Timescales for termination
- Opportunity to appeal
- Compounding delays
- Treatment of 132kV in Scotland

We believe that these issues can be addressed within the policy and will seek further input from these stakeholders to inform the Implementation plan.

# Question 5

Q5. We would welcome your views on the preferred approach to queue management rules illustrated in the examples provided. Specifically;

A. Do you agree with the position that where a project moves to the bottom of the queue, milestones will be updated to reflect the new connection date, whereas any cumulative delay accrued from the date of offer acceptance will be carried over?

B. Do you agree with the position that a project would be required to reduce capacity if the capacity available is less than the capacity of that project?

## 8 Agree

## 7 Disagree

WS2 P2 & P3 2019 consultation summary

# 5A) Do you agree with the position that where a project moves to the bottom of the queue, milestones will be updated to reflect the new connection date, whereas any cumulative delay accrued from the date of offer acceptance will be carried over?

**Tolerance**
- Timescales should be reviewed for tolerance according to voltage level and type of project
- Certain 'causes' for delays should be excluded from the policy as determined as outside of the customer's control

**Response:** Tolerance timescales are intended to be consistent across all projects to ensure fair application, however proportional timescales can be considered
**Response:** There may be certain causes for delay that are outside of customer control – further detail will be set out in December implementation plan

**Cumulative delay**
- Reset cumulative delay when project moves position in the queue

**Response:** Resetting the cumulative delay each time the customer moves in the queue would create situations where slow moving projects continue to block other projects who may be able to connect quicker. The new process and principles recognise these as issues we see today and aims to avoid them.

**Route to appeal**
- Projects must be afforded a route of appeal if they disagree

**Response:** Route to appeal will ultimately be through Ofgem via contract management complaints - further detail will be set out in December implementation plan

**Securities**
- A project may incur a new delay as a result of securities introduced with changing queue position (e.g. changing finance)
- Project should be given option of withdrawing under original agreement if not previously subject to cancellation charges

**Response:** Allowing further delays due to changing securities could undermine the intention of this new process to remove barriers to customers ready to connect; it could allow slow moving projects to continue to block others
**Response:** projects would be able to cancel before QM applied

**Other**
- Projects should not automatically go to bottom of queue, it should be placed according to the length of delay (i.e. if 15 month delays pushed back 15 months and remain ahead of projects connecting in 16 months)
- Projects should not be penalised if they have not had a chance to bid for a CfD

**Response:** Resetting the cumulative delay each time a customer moves in the queue would undermine the ability of network companies to meaningfully apply this policy.
**Response:** Timescales for CfD should be accounted for by developer when applying for connection

## 5B) Do you agree with the position that a project would be required to reduce capacity if the capacity available is less than the capacity of that project?

**Non-firm options**
- Customers should be allowed to reduce capacity to move up queue with remaining MW's as non-firm or keeping existing position

**Response:** The introduction of a two stage offer would drive additional costs on the implementation of queue management policy – we will review this option as we develop the implementation plan and propose a solution that delivers the most benefit without unnecessary cost.

**General disagreement**
- Changes to liabilities and queue position introduce uncertainty and could increase cost of capital
- Moving queue position could impact feasibility of project

**Response:** We recognise that the changes will introduce some uncertainty as developers progress projects. Under current policies, there is also uncertainty, feasibility concerns and additional costs for customers blocked by slow moving projects. The milestone timescales and tolerance requirements are intended to strike the right balance between allowing developers to manage uncertainty and giving network companies confidence in managing projects that are not progressing

**Clarification**
- If project E cant accept and the next project F moves up, it should not impact the contract of project E
- If a project is reducing capacity it should be able to have a dialogue with network company to agree suitable value and alternatives (i.e. temporary flexible connection)

**Response:** We recognise that the changes will introduce some uncertainty as developers progress projects. The milestone timescales and tolerance requirements are intended to strike the right balance between allowing developers to manage that uncertainty and giving network companies confidence in managing projects that are not progressing
**Response:** If a project is reducing capacity the MW value will be determined by the project that is moving down the queue. That being said, open and transparent dialogue with network companies will be necessary when actions are taken on the connection queue.

**Milestones**
- A more pragmatic and common sense approach is recommended for milestones
- Milestones and timings need to apply at the right levels (voltage) and shouldn't apply in uncongested areas

**Response:** Introducing further flexibility into the proposals would introduce a risk of inconsistency in application and implementation. We are keen to ensure the approach rolled out across D (in all DNOs) and T is consistent and transparent, as requested by customers. Deciding milestones on a case by case basis does not facilitate transparency or consistency in decision-making
**Response**: We will consider where the policy applies in terms of where the greatest benefits can be identified without unduly affecting the system.

# Question 6

**Q6. Do you agree with the preferred approach to the treatment of flexibility in a connection queue? Please provide justification, if you do not agree.**

## 13 Agree

## 3 Disagree

Overall broad support in favour of this proposal and allowing flexibility providers to move up the queue as long as there is no detrimental impact to others. There were a number of calls for further information on market arrangements which are out with the scope of this product and are in the remit of ON Workstream 1a Flexibility Services.