Orkney Renewable Energy Forum
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Future Charging and Access Team

Reference: Access and Forward-looking Charges Significant Code Review: Consultation on Minded Positions:

OREF is a membership organisation based, formed in 2000 in Orkney that is seeking to drive decarbonisation through the delivery of energy efficiency and encouraging the preferential uptake of renewables and sustainable energy systems. The membership comprises individuals, organisations and businesses involved in renewables in the county.

The consultation is something of a mixed bag and as a result this response to it is in five parts:

1. Overall approach to decarbonisation by OFGEM
2. Changes to distribution charging
3. Changes to access rights
4. TNUoS changes
5. General principles & matters.

In summary: OREF strongly supports the proposed changes for demand connections in the Distribution Charging section. It awaits further information and clarity on DUoS charging to follow, but has some concerns for protecting existing and smaller new generation connections against potential unintended and unexpected additional costs and risk resulting from the proposed DUoS reforms, as they have been broadly outlined at this stage. But unequivocally finds itself in strong opposition to the TNUoS Changes. The Access Rights changes seem broadly practical although OREF questions whether they are sufficiently reflective of the coming renewables dominated world.

Please read below as answering the questions to each set of questions raised in a chapter.

1. Underlying decarbonisation principle:

OREF remains concerned that OFGEM still seems to be a reluctant participant in the mission to achieve Net Zero by 2050 for the UK, with earlier targets for Scotland and Orkney. The decarbonisation of the UK economy will happen principally through electrification and any regulator in this space needs to be fully committed to enabling this to happen.

OREF recognises that this will require a change of heart within OFGEM and OREF hopes that OFGEM is capable of this change. Regrettably this document does not show the sort of vision we would

expect in the light of the changed environment and OREF fears that OFGEM is still stuck in the 'lowest cost' mentality. Indeed, the statement on page 31 that 'Net Zero can be achieved at the least cost', still smacks of the same lack of vision that has held back the electricity industry from more aggressive decarbonisation.

On a national level OREF remains concerned that the externalities that arise from OFGEM's decisions are not captured. Reference on page 8 to the 'best interests of consumers' remains likely to be drafted too tightly. OREF has long argued that the benefits to communities of renewables in terms of employment, innovation employment, stakeholder buy-in to change and general energy literacy are all positive outcomes to all citizens that derive from increased renewables. OREF has yet to see these values ascribed in the 'best interests to the consumer' and indeed 'least cost' tests.

On a planetary level it is clear that mankind is not trying anywhere near hard enough to decarbonise and there needs to be a dramatic escalation of effort to achieve it. The IPCC special report on climate change which triggered the UK government to declare a climate emergency is clear not only is net zero required by 2050 but substantial progress needs to be made well before 2050 if we are to avoid the need for difficult to procure negative carbon emissions after 2050.

There will need to be an acceleration of the deployment of zero carbon technologies and so it is imperative that OFGEM helps drive this. Too narrow a drawing of the 'values and costs' bounds is holding back investment in decarbonisation and OREF believes this is working against the national and planetary interest.

2. Changes to distribution charging: (Section 3 of consultation)

OREF is encouraged by the approach relating to the distribution charges in that there is recognition that the present charging arrangements are slowing down connections of low carbon technologies. The planned reduction to the contribution for reinforcement for generation and removal from demand is a welcome signal and strongly supported. On this last point OREF members have practical experience of the delays created whilst awaiting agreement from the local electricity network operator in trying to get EV chargers installed. However, we are concerned that there are some references to possible increased DUoS charging for embedded generation in the documentation. This certainly feels inappropriate for those who have connected and financed, at risk, under the recent prevailing rules, and especially those who are already paying additional ongoing "ANMUoS" fees for ANM connections for reduced levels of access and use.

OREF strongly supports the recognition (Page 32) that the DNOs' uncertainty in their ability to recover investment is impeding progress. This is definitely Orkney's experience. However, OREF believes that the relationship between OFGEM and its regulated DNOs is also part of the problem. As a regulated business we believe that SSE will seek to avoid contact with OFGEM as much as possible. As a regulator OFGEM can appear aloof and seeking to avoid legal challenge at all costs. As a result there is hesitancy on both sides and an unhealthy stasis. If the UK is to decarbonise as fast as we need to (and in Orkney's case that is 2030 nor 2048) then we need to see more collaborative working rather than highly process oriented 'safe/incremental' change. To be given the licence to make such fundamental changes it will be necessary for customers the DNO and OFGEM to find ways to work together.

3. Access rights. (Section 4 of consultation)

The introduction of flexible access rights is likely to be useful, indeed it has been in use for a number of years in Orkney and has successfully allowed significant generation onto the network. All of the EMEC connections are 'non-firm' and subject to being dropped from the network in the event of grid problems downstream. The ANM operated by SSEN has been shown to be effective at enabling generation to connect, but without barrier-level costs of traditional reinforcement.

OREF would comment, however, that there still seems to be a 'conventional' mind set in the options when 'time based' access is referred to. Whilst demand patterns are presently predictable daily, the likely introduction of more effective demand managed loads will result in a general reshaping of the daily load profile to better match the resource. The issue of restricted grid access is therefore to become less one of 'time' but more of 'network capacity and demand'. When working optimally the ANM and control of the inter-connectors linked to Orkney provides grid access based on when the network can absorb the power which is a combination of distribution level capacity availability and local demand.

It is particularly important that all energy storage technologies are connected with flexible access rights rather than with firm access rights. This will allow much more energy storage to be deployed at the local level where it does most to reduce network losses, and potentially avoid expensive network reinforcement. Energy storage technology connected on a must take, firm basis similar to small scale renewable energy, takes up network capacity which could otherwise be used for small scale renewables. First come first on is not an appropriate way of handling local energy storage as it will severely limit the amount which can be economically connected.

OREF welcomes the reference to 'Generation Dominated Areas' if seen as a positive endeavour and looks forward to further exploration of the effects this creates. But, as laid out below in response to the Transmission charging changes, OREF is opposed to the suggestion of penalising resource rich low local demand areas for this local imbalance as resource and demand are rarely mobile and it is an artificial, and counter-productive approach if we want to balance and decarbonise effectively at a national and system based scale. In contract, in Orkney's experience, the recognition of the scale of the resource and the associated opportunities to exploit it will drive different and additional positive behaviours to those seen in more constrained areas. OREF would welcome the opportunity to further discuss the means by which these different opportunities can be harnessed for local and wider benefit.

4. TNUoS Charges (section 5 of consultation)

OREF strongly objects to the changes proposed for transmission charging both directly, for generators >1MW, and also indirectly, by the suggested removal of the EET cap on all new and existing generators irrespective of installed capacity.

The measures as proposed will increase the costs to the generators in the most efficient areas and sends completely the wrong signal to the markets, , and, at a number of levels, has the potential to render both new and existing generators unviable without significant modification.

There is recognition elsewhere in the document that price signals were the way you felt it necessary to direct investment in the past, but you also recognise that this tool is not always applicable (Ref to EV charging Page 32). In this case you recognise that EV chargers are needed where the EVs are to be used and their locations should not be pushed into areas where the grid has historical capacity. OREF believes this same shift of mindset is necessary to recognise that renewables will need to be

harvested where they are found and to impose price signals to work against nature is ultimately futile.

Unfortunately; attempting to force developers away from the areas of maximum resource is inefficient. It runs the risk of slowing the deployment of existing wind technologies, it will hamper the development of newer technologies such as floating offshore wind, wave and tidal, and it will undermine the nation's economic future. Any one of these reasons is enough to pause the proposals; together they make a compelling case for fundamental reconsideration.

5. General principles and matters: (section 7 of consultation)

The following paragraphs refer to other matters that do not fit specifically into the three posed questions:

Language:

There are several places in the text where OFGEM's intended pace is far short of what will be needed and this is illustrated in the choice of language:

> Page 16: We will 'enable decarbonisation' rather than we will 'drive' or 'help drive' decarbonisation.
>
> Page 32. '…attempts to achieve Net Zero'… only '*attempts*? We need to succeed, and failure is not an option.

OREF urges that more robust and determined language is used. If this is not felt to be appropriate, then this shows the discontinuity between planetary need and your remit.

Future Energy Scenarios:

The comments on the FES scenarios are rather limp, and need to be re-considered in the light of the fact that the 'Steady Progression' scenario is clearly going to fail to deliver and should not be used as the reference. OREF would prefer to see 'Leading the Way' used as the inspirational benchmark and the challenge should be as to why any proposal is not up to this mark. At present it feels as though OFGEM is seeming to ensure any proposal is not too far above 'Steady Progression'. OREF urges that this dangerously parsimonious approach to investment is abandoned.

It is also not immediately clear if the re-issue of FES scenarios (FES21) during the period of this consultation will change the approach being proposed.

Definitions:

OREF would point out that your definition of Low Carbon Technologies seems to be different to that of SSEN whom you regulate. As a bystander this makes things very confusing and it would be welcomed if you could impose some discipline on this. The main difference seems to be that OFGEM include energy storage in that definition whereas SSE do not. One assumes that SSE's omission is not accidental as the more pervasive introduction of storage into the distribution network will reduce the electricity flows and therefore removal part of their value stream. They therefore have an active interest in talking down behind-the-meter storage. However, for those seeking to engage with the decarbonisation of the network (as opposed to those with a vested interest in shareholder value) it is hard to run with two definitions in the same space. It is therefore requested that OFGEM produce a suitable glossary that should be imposed upon the regulated in their communications.

Glossary:

Whilst on the subject of a Glossary: OFGEM's tendency to fall back on acronyms challenging to readers. Whilst they are defined in the text they are hard to follow. Any OFGEM document could easily include a glossary of the assorted ITLAs (Irritating Three Letter Acronyms) at the back to which the less initiated could refer. OREF would strongly welcome this as a means of increasing your documents' readability.

Yours Sincerely,

Neil Kermode,

OREF Chair.