



National Grid ESO

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Emailed to: box.connectionsreform@nationalgrideso.com

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Dear National Grid ESO,

GB Connections Reform Consultation

Drax Group plc (Drax) owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8 million homes across the UK. Drax also owns two retail businesses, Drax Energy Solutions (formerly trading as Haven Power) and Opus Energy, which together supply renewable electricity and gas to 250,000 business premises. This response is on behalf of the whole Drax Group and is non-confidential.

We fully support the need to review and make improvements to the connections process, however, we're unconvinced that sufficient evidence has been provided to show that the connections process is itself the root cause of connection delays. The frustrations we have directly experienced with the connections process in recent years have related to poor responses to queries in terms of the time taken for the ESO to respond and inconsistent messaging between different teams within the ESO. To resolve this, the ESO should ensure it has sufficient and appropriate resources to conduct its activities in a timely manner, including equipping staff with the information and expertise necessary to provide suitable support for developers. A reformed connections process will not resolve these particular issues, and the reform being proposed may in fact exacerbate the ESO's workload and resourcing issues. Rather than wholesale reform of the connections process, we would see greater merit in targeted, evolutionary changes, such as some of the Target Model Add-ons (TMAs) proposed, which could bring about meaningful improvements.

In the appendix we set out our response to the consultation questions. In summary our views cover:

- The proposed 12-month application window is inappropriate as it will likely cause significant delays to project timelines and may deter investment.
- No Target Model Option (TMO) takes account of route-to-market processes, such as Capacity Market auction rounds.



- The concept of ‘priority’ projects and their preferential treatment (TMA F) creates political/regulatory risk and unfair subjective discrimination between projects.
- The use of a centralised planning approach needs to be transparent and fair, and we believe that the current market-based approach brings benefits that have not been appropriately reflected in this consultation.
- Small, evolutionary changes, such as those set out in some of the TMAs, could bring significant improvements to the connections process without the need for more revolutionary reform.

Additionally, this consultation hasn’t explained the interactions with a number of inter-related workstreams, including, but not limited to, the move to a Future System Operator, the recent consultation “Future of local energy institutions and governance”¹, and the Review of the Electricity Market Arrangements (REMA). We encourage the ESO to explore these interactions with the appropriate teams in Ofgem and Government and clearly explain to industry stakeholders how they are aligned.

If you would like to discuss any aspect of our response, please don’t hesitate to get in touch.

Yours faithfully,

Paul Youngman

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Drax Group plc

¹ [Consultation: Future of local energy institutions and governance | Ofgem](#)



Appendix – responses to consultation questions

- 1. Do you generally agree with our overall initial positions on each of the foundational design options and key variations? Are there any foundational design options or key variations that we should have also considered?**

We agree that a broad range of characteristics have been described, but we don't agree these have been analysed in any great detail. For example, under the assessment of the status quo option, the ESO hasn't discussed the benefits of the current process and if/how they may be negatively impacted.

- 2. Do you agree with our initial view that the current issues with the connections process could potentially be addressed on an enduring basis through other, less radical, and lower risk means than the introduction of capacity auctions?**

In our view, capacity auctions don't impact upon the connections process, but rather form a separate and distinct activity. Therefore, introducing a capacity auction would not alleviate the difficulties regarding the connections process.

However, capacity auctions could provide a valuable tool for managing the network, and the creation of a secondary market for capacity could provide benefits, including efficient use of available capacity and an increase in competition, driving down costs for consumers and initiating improvements in the sector. We therefore would encourage the ESO to not disregard the option without further consideration.

We agree that introducing capacity auctions would require a radical rethink of the capacity allocation process. We don't believe evidence has been gathered and presented to show such a radical change is necessary or would be more efficient, but neither is any evidence presented showing this change would be damaging.

- 3. Do you agree with our initial view that the reformed connections process should facilitate and enable efficient connection under either a market-based (i.e. locational signals) or 'centralised' deployment approach (or an approach somewhere between the two), but not mandate which approach to follow?**

We're against the idea that the ESO will not mandate which approach to follow as we think this may cause confusion and opaqueness for applicants.

- 4. Do you agree with our initial recommendation that TMA A to TMA C should all be progressed, irrespective of the preferred TMO?**

We agree that TMA A to C should be progressed as they will provide applicants with more information in a transparent manner.

However, we hope that TMA C, '*Appropriate use of optioneering route*', will not discriminate between those who do and those who don't have the funding to hold extra discussions with the ESO, where they may be able to get special insight into any central plan.



5. Do you agree with our initial recommendation on the introduction of a nominal Pre-Application Stage fee, discounted from the application fee for customers which go on to submit an application within a reasonable time period?

No, we don't agree with the proposal to introduce a pre-application fee and subsequent discount to those that apply in good time. We believe this fee structure could cause some to rush through the application process to ensure they receive the discount. Such applicants may not develop their application sufficiently and be rejected by the ESO due to TMA I, '*Criteria for ESO to reject an application*'. Equally, those rushing through the application process that do receive an offer may then fail to keep pace with connection milestones due to being ill-prepared. This may result in the termination of their project and stranded investment.

6. Do you agree with the importance of the TMA A 'Key Data'? Please provide suggestions for any other key data that you suggest we consider publishing at Pre-Application Stage.

Yes, we agree that data should be open, accessible and transparent to all. It should be of sufficient granularity and in the right format for potential applicants to make informed decisions.

7. Do you agree with our initial recommendation with regard to TMA D (requirements to apply)?

We can see merit in raising the bar to entry for applicants, but the ESO should consider how requirements interact with other obligations on the applicant. Specifically, we ask that more detail is provided on the interaction between the connections process and the various routes-to-market, such as the Capacity Market or Contracts for Difference schemes. Navigating this is already challenging, and it isn't clear how the proposed changes might help. Furthermore, the proposed 12-month application window in TMO 4 could add challenges due to applicants having to wait a significant length of time for a connection offer, which is a requirement for obtaining a route-to-market.

8. Do you agree with our initial recommendation with regard to TMA E (determination of enabling works), including that it is right to wait until the impact of the 5-Point Plan is known before forming a view on whether further changes to TMA E are required?

The recommendations under TMA E overlap with the 5-Point Plan and aspects of the preferred TMO. We therefore agree that it's sensible to wait before implementing any changes under this Add-on until the impact of the 5-Point Plan is known and which (if any) TMO is chosen.

9. Do you agree with our initial recommendation with regard to TMA F (criteria for accelerating 'priority' projects)?

We think it will be challenging to devise criteria for 'priority' projects that doesn't cause discrimination between technology type, location, or size of capacity. There is a risk that priority projects will be arbitrarily chosen and given unfair preferential treatment.

10. Do you agree with our initial recommendation with regard to TMA G (queue management)?

Queue management could be a useful tool to encourage developers to keep pace in the connections process, but we're not convinced it should be linked to the concept of priority projects.

We agree that the ESO should not progress '*Proactive Queue Management*' at this stage as this presents complex challenges regarding implementation and ongoing execution.



11. Do you agree these four TMOs present a reasonable range of options to consider for a reformed connections process?

The TMOs present a reasonable range of options, however we note that the Target Model Add-ons (TMAs) have the potential to significantly change the meaning and outcome of the TMOs. We think the cost:benefit case for each TMO should be explored further, including quantitative analysis, such as whether, and by how much, connection dates will be brought forward.

12. Do you think any of the four TMOs could be materially improved e.g. by adding, removing or changing a specific aspect of the TMO? If so, what and why?

We're concerned the use of application windows could add a significant length of time to the connections process which could create an investment hiatus and deter investment more generally.

We note there is currently no scope within any TMO for post-offer negotiations, which can be a significant cause of project timeline delay. The ESO should consider building in dedicated time for these negotiations to take place.

13. Are there any important TMOs we have missed?

We have no comments at this time.

14. Do you think 'Submit Consent' is too early for Gate 2 in TMO2 to TMO4? If so, what milestone should be used instead and why?

Given that Gate 2 is the point at which applicants would receive their confirmed connection date under TMO2 to TMO4, we don't think submitting planning consents is too early a milestone. There may be merit in Gate 2 being earlier, since it's important that confirmed connection dates are issued early to maintain investor interest and allow applicants to complete route-to-market processes.

15. Do you agree that TMO4 should be the preferred TMO?

We're not supportive of TMO4 because the 12-month application window will introduce significant delays to project timelines and could risk the lapsing of key agreements or investment decisions. It could also have the perverse effect of increasing the number of 'speculative' applications made if developers submit applications purely to ensure they don't miss out on capacity.

16. Do you agree with our design criteria assessment of the four TMOs? If not, what would you change any why?

We believe it will be valuable to gather more detailed, quantitative views on the design criteria assessment. Additionally, it's currently challenging to undertake an assessment because the TMOs are only described at a high-level, and the TMAs could significantly alter the outcome of, and the need for, the TMOs.

17. What are your views on the stated benefits and key challenges in relation to TMO4?

We note that the benefits case for TMO4 is qualitative, with no quantitative or comparative analysis to understand the scale of the benefit that might be achieved and any unintended detriment that may result. As such, it is difficult to agree whether the stated benefits are possible.



We agree with the challenges that the ESO has set out in relation to TMO4, and view them as significant risks of introducing this Option as drafted:

- “Detailed design and implementation”: We agree TMO4 presents the biggest departure from the status quo and will be challenging and time-consuming to design and implement. It will require cross-code and licence changes, and the involvement of industry to ensure it is fit for the future.
- “Potential concerns about the introduction of a new process that will take longer to provide a connection offer”: We perceive this to be a key risk associated with TMO4. We anticipate that the 12-month application window, with subsequent wait of 6 – 9 months for offers to be issued presents a significant increase in project timelines that will render some investments unviable and will deter others.
- “Overall impact on efficient delivery of Net Zero”: Due to the proposed 12-month application window, we believe TMO4 risks an inefficient delivery of Net Zero and a slowing down of investment in GB connections.

18. Do you think that there is a better TMO than TMO4? Whether that be TMO1 to TMO3, as presented, a materially different option, or a refined version of one of the four TMOs we have presented?

Overall, we are more supportive of making smaller, evolutionary amends to TMO1 (Status Quo) rather than implementing fundamental changes that don’t have a proven benefits case.

19. Do you agree with our views on DNO Demand in respect of the TMOs?

We have no comments at this time.

20. Do you have any views on the appropriate mechanism to incentivise accurate forecasting of requirements and avoid more RDC than is necessary being requested by DNOs?

We have no comments at this time.

21. Do you agree with our views on the process under which DNOs apply to the ESO on behalf of relevant small and medium EG that impact on or use the transmission system, including that (under TMO4): i) DNOs should be able to request RDC via application windows to allow them to continue to make offers to EG interwindow; and ii) resulting offers should be for firm access until relevant EG has reached Gate 2 (at which point they can request advancement and an earlier non-firm connection date)?

We have no comments at this time.

22. Do you agree that directly connected demand should be included within TMO4 and that the benefits and challenges are broadly similar as for directly connected generation?

We have no strong views at this time but note that a connections process for directly connected demand needs to be proportionate and mindful of any nuanced differences between demand and generation.



23. Do you agree that TMO1 to TMO3 would require a separate offshore process, and that this would result in material disbenefits?

There doesn't exist a separate process today, so we're uncertain as to why TMO1 to TMO3 would necessitate this.

24. Do you agree that TMO4 is the most aligned to the direction of travel for offshore projects? If not, why?

We have no comments at this time.

25. Other than the Letter of Authority differences are there any other TMAs which have specific offshore considerations?

We have no comments at this time.

26. Do you agree with our views on network competition in the context of connections reform, including that TMO4 is the option which is most aligned with network competition as it includes the most design time at an early stage in the end-to-end process?

Network competition should be an outcome of a successful connections process. It's unclear to us how TMO4 has been determined as the best option for enabling network competition.

27. Do you agree with our initial recommendation related to each of the TMAs within this chapter? If so, why? If not, what would you change and why?

We address each TMA in turn:

- TMA H – Structure and Value of Fees: As per our response to question 5, we believe the proposed fee structure could have negative unintended consequences.
- TMA I – Criteria for ESO to reject an application: We are concerned this may grant the ESO significant decision-making power. Such criteria need to be clear and transparent to applicants, which may be challenging if it relates to a central plan developed without full openness and transparency by the ESO.
- TMA J – Optionality provided in an offer: Whilst this may be of benefit to some applicants, we can see it may be costly and complex to implement. It also poses issues of fairness that the ESO will need to fully address, e.g. ensuring that the level of optionality is the same between offers.
- TMA K – Capacity products in an offer: We agree the definitions of capacity products need to be more transparent and simplified. This valuable information could sit in a support guide, with references to the relevant CUSC sections. This should be progressed regardless of which, if any, TMO is chosen.
- TMA L – Requirements to accept an offer: It's unclear what additional benefit this would bring over and above the introduction of queue management, as this will provide ongoing requirements on the developer to maintain validity of their offer and connection agreement.



- TMA M – Timeframe for updating contracts: We agree that the existing approach of providing contract updates as and when required is appropriate, but we think there is scope for the ESO to improve this experience for developers, including improved quality and timeliness of communications.
- TMA N – Criteria for ESO to reject a modification: In addition to our concerns set out under TMA I, we are concerned this could cause an uplift in the number of projects that are forced to terminate.
- TMA O – Secondary processes: As this is dependent on the chosen TMO and TMAs, we have no comments.
- TMA P – Dual Track Process: We agree with the ESO that this TMA shouldn't be continued.
- TMA Q – Financial compensation: We support the ESO considering how to compensate applicants for any detriment caused by the ESO and Transmission Owners (TOs). This should be clearly defined and criteria publicly available, treating all applicants fairly.
- TMA R – Management of underused capacity: If based on the right data, this may be appropriate, but further details need to be developed, including whether there will be an associated fee.
- TMA S – Fast-track dispute process: We're supportive of developing a fast-track dispute process.

28. Do you agree with our current views in respect of the implementation period?

Given the number of code modifications and legislative changes that will be required, the timeline is ambitious based on the current speed with which the regulatory development process occurs.

We support the idea of introducing targeted changes sooner and believe the output of those changes may negate the need for fundamental reform.

29. Do you agree with our current views in respect of transitional arrangements? What are your views on how and when we should transition to TMO4?

We don't agree that the ESO should pause new connection applications or offers. This will result in divestment in developments and unnecessary delays in meeting Net Zero targets.

30. What further action could Government and/or Ofgem take to support connections reform and reduce connection timescales, including in areas outside of connections process reform?

We have no specific recommendations at this stage, but note that the ESO, Government and Ofgem need to ensure there is an aligned vision for GB connections reform, taking account of the wider sector and interacting processes.