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Response to June 2023 Connections Reform Consultation

Sembcorp Energy agrees with the majority of the proposals in this document and would like to thank the Electricity System Operator (ESO) for the amount of cooperation with stakeholders that has taken place against a challenging timeline.

As we have only a few specific points to make, we address them directly in this letter, rather than respond to the full set of questions. Our response is not confidential.

About Sembcorp Energy UK

Sembcorp Energy UK (SEUK), a wholly-owned subsidiary of Sembcorp Industries, is a leading provider of sustainable solutions supporting the UK's transition to Net Zero. With an energy generation and battery storage portfolio of over 1.3GW in operation or under development, our expertise helps major energy users and suppliers improve their efficiency, profitability, and sustainability, while supporting the growth of renewables and strengthening the UK's electricity system.

Our Wilton International site, within the Teesside Freeport, sits amongst a hub of decarbonisation innovation. At the site, we provide energy-intensive industrial businesses with combined heat and power (CHP) via our private wire network that supplies electricity generated by gas and biomass.

These services are complemented by our fleet of fast-acting, decentralised power stations and battery energy storage sites situated throughout England and Wales. Monitored and controlled from our central operations facility in Solihull, these flexible assets deliver electricity to the national grid, helping to balance the UK energy system and ensure reliable power for homes and businesses.

Response

Queue management is a significant and fast-moving part of connections reform – the ESO has done significant stakeholder management with industry through the Codes modification process, but it is vital that clear communication is sent to developers and stakeholders who may not have visibility of the standard modification route. For queue management, as with other aspects of connections, it is vital that users are not penalised for issues outside of their

control, such as government awards (delays or being removed from the queue as other projects are prioritised).

Whilst priority developments in principle are a sensible addition, we believe it is vital that decisions on which projects to fast-track and how are made in an unbiased and transparent fashion. If the Future System Operator (FSO) has the ability to fast-track projects through the connection process without strong oversight, a perception of unfairness could develop that the FSO favours certain technologies or solutions over others and has the power to give those favoured projects a significant commercial advantage. The ESO (and the FSO, from what we know of funding arrangements at the moment) will also have the financial incentive to fast-track results of path-finders and then use the fast connection process as evidence of success of the path-finder itself. There is also a risk that fast-tracking may advance a project that would be uneconomic under other circumstances, and we do not believe the System Operator will be able to judge the effect of that on competition. Distortion of economic and commercial competition, for projects that are likely to have significant lifespans, is likely to increase overall system cost, delay or alter GB's route to Net Zero and so deliver poorer results for the end-consumer.

We disagree strongly with the advisability of "use or lose it" type arrangements in these circumstances – whilst connectees are willing to pay the appropriate costs for their connection size, they should have the right to that capacity. Generation may have a larger connection size due to plans to expand or introduce new generation capacity – requesting that generators re-enter the connection process (and re-enter the queue) would delay additional capacity and repowering in favour of 'brand new' capacity. This has the potential to delay the rate at which capacity (in general) connects and increase the overall cost of that capacity. The ability to fully utilise connections can be dependent on issues beyond the user's control, such as delays to government decisions. Removing that capacity would prevent timely delivery of policy benefits, as the benefit of anticipatory action from industry has been lost. There are a range of business reasons why demand users may wish to pay for a larger connection than they apparently 'use' and we struggle to see who would be able to judge whether 'excess' capacity is genuinely required. We believe that as users decarbonise, increased electrification means extra capacity will be required on existing connections and a 'Use it or lose it' approach would be an active barrier to electrification away from gas and other fossil fuels.

If there is a case for stronger signals to discourage oversizing connections, this would be better contained within the TNUoS methodology rather than connections, as the system impact of oversized connections will vary by location.

If you would like to discuss these points in more detail, we would be happy to arrange a meeting for further discussion.

Yours sincerely.

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Regulatory Affairs Manager

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