REGEN

Consultation response

Ofgem Demand Connection Reform

Authors: Frank Hodgson fhodgson@regen.co.uk

Hannah Stanley hstanley@regen.co.uk

Merlin Hyman mhyman@regen.co.uk

About Regen

Regen provides independent, evidence-led insight and advice in support of our mission to transform the UK's energy system for a net zero future. We focus on analysing the systemic challenges of decarbonising power, heat and transport. We know that a transformation of this scale will require engaging the whole of society in a just transition.

Regen is a membership organisation with over 200 members who share our mission, including clean energy developers, businesses, local authorities, community energy groups and research organisations across the energy sector. We manage the Electricity Storage Network (ESN) – the industry group and voice of the grid-scale electricity storage industry in GB.

Summary and recommendations

We welcome this consultation for Ofgem on improving demand connections, in particular to respond to data centre development. We recommend:

- Carefully designed financial commitments linked to project milestones, applied consistently at transmission and distribution.
- Requiring outline planning as part of readiness criteria.
- Rapid action to enable demand customers to have greater ability to self-build.
- Further work to develop practical options for flexible connections utilising onsite storage and generation.

Financial Mechanism for Data Centres (Section 5.14–5.22)

We agree that financial commitments by developers should be one part of the process to reduce speculative projects.

We note that large data centre developers and hyperscalers may have sufficient capital to absorb upfront payments without changing behaviour and so financial commitments alone will not be sufficient. Stronger readiness and viability requirements may be more effective in ensuring only credible projects progress.

Financial barriers risk favouring companies with large balance sheets rather than the most viable projects, potentially reducing competition and consolidating queue positions among well-capitalised developers. We, therefore, consider financial mechanisms should be linked to project milestones rather than applying them purely as an upfront entry fee.

We think applying financial mechanisms just to data centres could create challenges. We would favour requirements being applied using capacity thresholds (MW) rather than technology-specific rules.

Clarification would be required on how any financial mechanism would apply to hybrid sites, such as energy parks combining data centres, storage and EV charging.

Strengthened Readiness Requirements for Data Centres (Section 5.26–5.29)

We strongly support strengthening 'readiness criteria'. However, these should apply at transmission and distribution. Applying stronger readiness requirements only at transmission level will create incentives for developers to submit applications at distribution level instead. They also need to reflect network delivery timelines, projects can be development-ready but still unable to connect due to network constraints.

We consider outline planning consent would be suitable evidence of planning readiness for demand projects. Requiring projects to proceed to full planning permission prior to a grid connection offer is likely to provide very challenging.

We have considered whether requiring evidence of an anchor tenant or customer contract were discussed, but this could be difficult to define and evidence due to the range of commercial arrangements used in data centre development. It could also provide undue market power to hyperscalers.

Transmission-connected demand projects already require evidence of land rights (option agreements) and fixed site boundaries, it is not clear what further land requirements could be introduced.

Connect Pillar (Section 5.35–5.59)

We strongly support enabling demand customers to have greater ability to self-build and own connection assets. We are engaging with the industry processes to update relevant codes and licences.

We welcome the introduction by networks of ramped connections that can work well with the realities of data centre development. These should be further developed as a standard option.

In our engagement with the sector, it is clear non-firm connections are unlikely to be widely acceptable for data centres, as these facilities generally require highly reliable power supplies. Data centre operators may tolerate limited restrictions related to planned outages, but frequent or unplanned interruptions are unlikely to be operationally acceptable.

However, co-location of storage or generation alongside demand could help enable more flexible connection arrangements and reduce the need for additional network reinforcement. We support mechanisms to encourage such arrangements and are ready to participate in further work on such opportunities.