Energy UK response to DESNZ Consultation: Accelerating electricity network connections for strategic demand

15/04/2026

Submitted via email to connections.consultation@energysecurity.gov.uk

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.

Executive Summary

Energy UK welcomes the consultation and direction of travel on strategic demand connections, and would note the following core positions.

- Improved coordination and transparency are required, including clarifying roles and responsibilities, and setting out how this work will coordinate with wider connections reform and with timelines for market auctions and technology support schemes across energy.
- The Government must develop its thinking on other sources of strategic demand, going beyond data centres to look at housing, public buildings,

specific types of energy storage, hydrogen and CCUS, EV charging hubs, and other demand that will be strategically important to the Government's policy objectives and the broader Industrial Strategy.

- Where possible, the approach should prioritise projects that can deliver wider energy system benefits, aiding in delivering system value for all customers.

If you would like to discuss anything noted in this response in more detail, please do get in touch.

Sincerely,

Charles Wood
Deputy Director, Policy
Charles.Wood@Energy-UK.org.uk

Consultation Response

Questions about you

1. **Name**

Charles Wood

2. **Email Address**

Charles.Wood@Energy-UK.org.uk

3. **Organisation**

Energy UK

4. **I am responding to this consultation on behalf of:**

b) An Organisation

5. **I am responding to this consultation as:**

h. Industry body or trade association

6. **We usually publish a summary of all responses, but sometimes we are asked to publish the individual responses too. Would you be happy for your response to be published in full? (Required)**

a. Yes

Section 1 - Proposals

Proposal 1 – Queue management
Stakeholders should respond to Ofgem's Call for Input and future policy consultation.

Energy UK has responded to the Ofgem Call for Input. That response can be found here: https://www.energy-uk.org.uk/publications/energy-uk-response-to-ofgem-call-for-input-on-demand-connections-reform/

Proposal 2 – Introducing prioritisation mechanisms

7. **We propose to introduce mechanisms to reserve future capacity, reallocate released capacity, and prioritise Government-identified strategic demand projects within transmission network design batches. To what extent do you agree that these proposals would be an effective approach to enabling faster access to the electricity network for strategic demand projects?**
    a. **Strongly agree**
    b. **Agree**
    c. **Neither agree nor disagree**

d. **Disagree**
e. **Strongly disagree**
f. **I don't know**

Please explain your reasoning and provide any relevant evidence.

Neither agree nor disagree.

Energy UK would note the importance of a holistic approach to the whole energy system. Developing a clear prioritisation framework that can be applied across transmission and distribution would be welcome.

This must not result in all demand being required to enter into a similar connection process to the reformed connections queue for generators.

Clear metrics around what constitutes strategic demand are needed. The Government, in coordination with NESO and Ofgem, should consider whether other forms of demand can be similarly prioritised using clear and consistent criteria.

The selection of strategic demand should account for the energy system and environmental impacts of these connections. However, the criteria set out in this consultation omit environmental and energy systems impacts. This could lead to both higher GB emissions and increased costs to other system users, including consumers, as the approach would fail to account for the costs associated with both connecting the asset and running the system with the asset connected.

Wider benefits should be quantified as well, with a clear and transparent approach set out for how social, economic, job creation, affordability, and other implications will be considered for all types of demand. This would allow for a broadening of the scope of the definition of strategic demand to a broader range of connections, from housing developments to hydrogen production and across all government priorities and the Industrial Strategy 'IS8' sectors.

Referencing the Planning and Infrastructure Act (PIA) powers and high-level Government strategies does not provide the level of clarity required.

Further clarity is required in several areas, including:

- The impacts that reserving capacity for strategic demand will have on the generation queue, and whether or not this will lead to further delays to the wider queue for connections.
- The Government's expectations regarding the number of projects expected to be removed from the queue, and how this estimate has been reached.
- How local and regional plans would impact the strategic prioritisation of demand in any given location. This would include clarifying how local communities could be engaged in the process of prioritising projects in their area, to enable community input and avoid public backlash.

Linking this work to the delayed Strategic Spatial Energy Plan (SSEP) and Regional Energy Strategic Plans (RESPs) could result in missed opportunities. For example, if there is a significant data centre build-out before these plans are finalised, data centre location and design may fail to account for future heat and electricity system needs and investments. Failing to align these workstreams could result in missed opportunities.

It is critical that wider government policy ambition and energy sector mechanisms are considered in the approach. Within Energy, this includes the implications for hydrogen and CCUS business models as well as the enabling network and storage infrastructure, and the intended decarbonisation of heat and transport. Outside of energy this includes housing, healthcare, public buildings, public transport, and any wider economic and social policy ambitions. Without reliable access to a connection to the energy system, most government ambitions will not be deliverable.

Alignment of hydrogen and CCUS workstreams with this workstream is critical. For example, the Government's Hydrogen Allocation Round process prioritises 'strategic' electrolyser projects, but this has no defined link to grid connection processes or prioritisation. As is the case with generation projects contracted with a government scheme, demand projects with a successful government contract should also be given a level of priority within the queue for connection.

Networks should prioritise facilitating market-based flexible grid connection mechanisms ahead of uncompensated options. It is important to recognise how flexible grid connections have evolved beyond those that require direct curtailment from energy intensive users, such as data centres, and networks should be incentivised to utilise market-based solutions ahead of curtailment-based, non-compensation models.

AI and Data Centres

Setting out clearly where AI policy will supersede other policies, like housebuilding ambitions, will give much greater clarity to all sectors over where customers should invest and when.

Data centres connecting to constrained areas of either the distribution or transmission network could exacerbate constraints, increasing running costs and gas generation requirements.

Northern Ireland is seeing the impacts of data centres already, with environmental permits for gas generators being extended to enable additional generating periods to address the increased energy demand directly caused by data centres. Consideration of the direct and indirect implications of connections must be clearly set out, and engagement with all environmental and planning bodies should be delivered throughout the development process.

Capturing waste heat from existing data centres at a later stage may be technically or economically unfeasible, as waste heat recovery is much harder to deliver retrospectively. Further to this, actual processes across networks and regulatory frameworks are yet to be aligned with spatial plans, and this will require further consideration to accelerate strategic demand connections.

Proposal 3 – Strategic Alignment of data centre connections

8. **Government is exploring aligning data centre connections to regional infrastructure targets set out in a future data centre strategy. Do you agree that this would be an effective approach to Objectives A, B, and C, set out above?**
    a. **Strongly agree**
    b. **Agree**
    c. **Neither agree nor disagree**
    d. **Disagree**
    e. **Strongly disagree**
    f. **I don't know**

   Please explain your reasoning and provide any relevant evidence.

Neither agree nor disagree.

There is insufficient detail for Energy UK to support these measures. While reducing the number of speculative projects in the queue is appropriate, but it is critical to note that demand assets go beyond the energy sector, with projects critical to economic growth. An approach that reflects the timelines and investment approaches for demand users, both those amending a connection to electrify and those developing a new site, would be welcome. Clear metrics for projects to progress are sensible, but these must not disincentivise investment in the UK.

Regarding Objective A, it is clear that prioritising data centre connections could be considered unfair by any other demand developer. Strict criteria for data centres to be connected as part of this proposal could help to justify and rationalise the approach. For example, data centres located near energy generation sites could be prioritised to support energy system balancing and reduced network costs. Wider requirements regarding environmental, energy system, and community impacts could also be applied.

9. **Are there any alternative approaches we should consider to achieving the policy objectives laid out in this consultation?**

A comprehensive and rapid effort to remove barriers to demand-side response and support the delivery of energy sector innovation and investment in flexible solutions could be applied to enable faster connection of new demand. This could be delivered alongside much broader investment in energy efficiency measures and amendments to regulations across the UK to reduce overall energy demand.

Network connection is likely to be the largest energy-related driver of location in the near term. In the short-term, reforms to demand network connection should better factor in the location of demand and impact on the electricity system, rather than being applied across all demand regardless of its location. Prioritisation could be given to those that can be built in areas with significant curtailment of renewable generation and therefore absorb excess renewable generation, or to those in dense urban areas where waste heat can be utilised.

This moment also offers the opportunity to review the approach to connections charges, reviewing how customers pay for connections and where these charges could be better shared across customers. This should include clearly considering where consumers are cross-subsidising the connection of new projects through support schemes.

Network charges also have the potential to provide a fairly strong locational signal. Under Ofgem's ongoing review of network charges, the regulator should consider the options for a strategic locational signal for demand, and options for exemptions for strategically needed sectors such as data centres. Ensuring data centres based in more built-up or industrial areas are, where possible, built close to current and future heat networks, and considering the options for mandating connection to these networks would also be welcome.

The Government and NESO, working alongside industry via the Artificial Intelligence (AI) Energy Council and wider engagement, should look to quickly establish clarity over the optimal locations and likely energy impacts of additional data centre investment in the UK. The current process is opaque and it is not clear how sites are being selected, what energy requirements are being placed or them nor how many future zones will be selected.

To enable better planning and more proactive and strategic building of the networks required for all data centres, not just those in AI growth zones, more understanding of the likely future demand and location of data centres across the UK needs to be established quickly as part of the work of the AI Opportunities Action Plan. This can then be factored into longer-term network planning by NESO, which will subsequently flow through to future network price controls and spatial plans.

Longer-term strategic network planning needs to look further out to consider likely investment not just across data centres but the whole economy. As NESO establishes an approach to strategic spatial planning and the Government selects its

preferred approach, consideration of the estimated impact of changes in demand, whether due to electrification or the connection of new developments, must be core to the approach taken.

As well as energy policy locational signals, wider levers such as planning and infrastructure provision will be required to get data centres to site in optimal locations for both electricity and heat considerations.

Energy UK suggests that additional new minimum and best practise metrics should be introduced that monitor a range of environmental and important wider energy impacts. New metrics should assess the degree to which data centres:

- Invest in additional low-carbon generation that is unsupported by Government
- Minimise carbon emissions and maximise use of low carbon power
- Contribute to electricity security of supply and efficient system operation
- Using the heat generated from the data centre
- Minimising water usage

Mandatory sustainability metrics should be introduced as a planning condition for all new data centres above a specified threshold capacity, for example, for those over 1 MW IT load. Some of these can be introduced through connection reforms. This would create a level playing field and reward projects designed for sustainability rather than minimum compliance.

Additional requirements could be linked to early grid connection. Data centres may not be able to meet the higher standards across all metrics. For example, locations in areas with excess renewables may be far from end users and unable to use waste heat.

In addition, where large loads present a significant security issue due to local and/or national impacts on system operation and stability the local and national network operator should have powers to refuse connection or require modification.

In Ireland, the system operator can determine whether a connection can or cannot be accommodated based on its assessment of each application and its location. [1] Where possible, standards should be aligned over time with other markets.

Some grid connections already require some minimum standards. For example, some DNO connection offers include Active Network Management (ANM) requirements that mandate flexible load behaviour. However, there is no explicit requirement for BESS co-location, waste heat planning, or carbon reporting. Enforcement is lacking; there is no systematic post-connection monitoring of data centre sustainability performance. Monitoring operational performance will be key

[1] CRU (2025), Large Energy Users Connection Policy

and will require additional roles for the Environment Agency and/or Local Authorities, but will require clear metrics and reporting templates to be practical.

Given the significant increase in demand for very large connections for digital infrastructure and the shift in energy use these could entail, Government is considering how data centres interact with the wider energy system to enable rapid, sustainable growth while protecting system integrity and managing costs. Therefore, in addition to these proposals, we are collecting views on the flexibility of data centre connections and the role of auctions, as described in 'The Policy Landscape' section.

10. **Do you agree Government should consider the use of flexible connection agreements, particularly for data centres, to support system operability and accelerate connections while protecting consumers from unnecessary costs? Please explain your reasoning and provide any relevant evidence.**

Following the Access and Forward-Looking Charges Significant Code Review (Access SCR), data centres can take up non-firm connections that are cognisant of existing thermal and voltage constraints.

Non-firm connections can provide a range of environmental and cost benefits, including:

- They can enable better utilisation of existing infrastructure, reducing the need for network reinforcement in some areas.
- They can reduce the cost and emissions associated with constraints as they enable operators to manage congestion in real-time.
- They can help speed up the integration of renewable generation and other distributed energy resources (DERs).

Data centre operators and hyperscalers are often opposed to flexible grid connections because it can involve curtailment on their part. However, the innovative nature of emerging flexible connection models enable data centre operators to get online several years ahead of their full grid connection timeline, without any direct curtailment, avoiding the need to modulate compute. This approach would involve developing around-the-meter, flexible power portfolios that can be deployed when the grid is congested and a data centre would otherwise be curtailed.

By sizing a power portfolio that is specifically designed to meet the needs of the local grid, network operators can grant flexible connection agreements to data centre operators. Contracts would be able to specify the need to meet power requirements for the data centre whenever they are notified of congestion issues by the network operator, ensuring certainty of supply for the data centre and effective action for the network and wider energy system.

Data centres (and other electricity users) that accept non-firm connections, provide DSR, and co-locate smart energy assets, such as Battery Energy Storage Systems (BESS), should receive priority or fast-track processing in network and NESO connection queues. Under the emerging RESP framework, such projects demonstrably add system value and should be treated accordingly.

Ofgem should actively monitor the number, application and impact of non-connections and phased connections to avoid any adverse consequences such as delays to necessary reinforcements. Clear guidance for those types of connections should be set out by Ofgem, with processes standardised across network areas in line with the drive for standardisation and service improvements under the End-to-end Review of Connections Processes.

The following actions must be taken if these connections are to be used in future:

- All networks using curtailed connections must agree to and abide by standardised methodology, terminology, contract terms, and processes. These should be approved by Ofgem and the Government, and embedded into licence conditions, codes, and price incentives.
- Clear guidance for connecting parties must set out what curtailed connections entail, clarifying exactly what can be expected for different connected customers.
- Additional guidance on the flexibility options available should also be set out, to give connecting parties an understanding of their options in either maintaining power supply during curtailment action, or avoiding curtailment by modifying their connection using on-site flexibility technologies.
- Local and national markets for flexibility should be further developed to ensure that market-led flexibility is prioritised, reducing system costs and enabling more efficient use of available capacity.
- Clear metrics should be established for how many flexible connections can be operated in a given area and how long these connections can be used for, to avoid networks becoming overly reliant on flexible connections without a clear pathway to grid reinforcement.

The omission of the energy system and environmental impacts from the listed considerations within this consultation must be addressed. The proliferation of on-site, unabated gas assets across GB must be avoided if we are to deliver AI infrastructure without impacting environmental, health, and energy bill outcomes.

11. What are your views on the technical, commercial and operational feasibility of:

i. mandatory or incentivised flexible connection requirements for data centres/very large demand, and

ii. incentivised voluntary flexible connections for other demand projects?

Please explain your reasoning and provide any relevant evidence.

Given the significant potential impact on the energy system and other energy users, Energy UK welcomes the inclusion of minimum levels of demand flexibility for data centres as a requirement for connection and voluntary levels for faster connection.

Flexibility is incentivised through participation in flexibility markets, but several barriers remain, particularly for smaller loads, and changes to network charging have significantly reduced Industrial and Commercial participation.

The Government should ensure that new data centres have the technical ability to provide demand-side response (DSR), and that leasing or other commercial arrangements don't preclude it, taking into account site characteristics and data centre type, while also making DSR more attractive for all users.

Large demand users can contribute to system flexibility to reduce costs for other consumers and carbon emissions associated with running the electricity system. This could involve both demand turn-up at times of high low-carbon generation and demand reduction to move consumption away from peak demand, reducing the required size of the electricity system.

Co-located flexible demand with onsite or private-wire generation could help reduce the size of the electricity system and reduce operational costs, resulting in wider consumer savings.

Flexibility markets need to be designed in a way that encourages the economic participation of all options for larger-scale demand flexibility, including data centres. Revenues from flexibility markets need to be sufficiently attractive to overcome the administrative burden of participating and/or the loss of workload capacity. This requires action to address structural problems impacting the business case for flexibility, including rules preventing revenue stacking and barriers to capacity market access.

<u>Data Centres</u>
Many data centres, especially those that own their own data racks, can provide some DSR by either load shifting - reducing computing demands by sharing tasks between sites or delaying non-time-critical operations, or by using their own generation and storage to manage their usage at peak times. There may be potential for flexibility in cooling demand, which can account for a considerable proportion of total electricity demand, with significant potential for data centres connected to heat networks to reduce cooling loads for short periods of time without breaching temperature limits.

Data centre developers should be encouraged to immediately reduce their system impact by installing low-carbon on-site energy options and agree to some DSR,

potentially by partnering with nearby end users able to offer flexibility, to enable earlier connection dates.

For data centres, the direct financial rewards for flexibility are often unclear or insufficient, especially when compared to the potential costs of downtime or Service Level Agreement (SLA) breaches.[2] The Government should therefore set appropriate requirements for DSR capability at a certain percentage of connection capacity for data centres over a certain threshold.

The recent EmeraldAI trial shows the ability of data centres to provide flexibility to the system, and further evidence should be gathered while key learnings are applied across the market.

The current approach to hybrid sites is inadequate, and the approach to enabling projects to use on-site generation and storage to manage their impact on the system and the network should be considered as part of these reforms. The Government and Ofgem should therefore review existing licence conditions, codes and guidance regarding private wire network solutions to assess if these remain appropriate.

A wide range of changes is required to enable greater flexibility from load shifting and investment in on-site and private wire assets. The Government should consider the following:

- Changes to licence exemptions could encourage a range of solutions, for example, the use of clean private-wire networks incorporating generation and storage, and can more broadly optimise and standardise network connection processes across network operators.
- Data centres have to apply separately for an import and export license for any co-located generation or private-wire assets, adding complexity and cost. Data centres installing behind-the-meter energy storage capacity will need to apply for headroom in network capacity so they can fill their energy stores.
- Current generation licenses prevent existing generators from providing private-wire power to more than one offtake, as well as limiting the commercial basis on which such power can be sold. This limits the potential for co-location between data centres and existing power generators, which could otherwise offer higher efficiency ‘matching’ of power demand to supply without the need for, for example, any associated transmission network reinforcement.
- Planning regulations currently discourage data centres with private power supplies above 50MW from being identified as Nationally Significant Infrastructure Projects (NSIPs) and thus require them to take the more arduous planning route of a Development Consent Order (DCO) rather than seeking approval by the Local Authority. This discourages concentration of

[2] LCP Delta (2026), How to incentivise flexibility in European data centres: From rigid load to a grid asset by 2030

larger data centre loads with bespoke generation assets that could otherwise offer potential efficiency gains.
- Changes to environmental permitting would encourage a move away from diesel generators to cleaner gas and electric technologies. These technologies could then be expanded and coordinated with others to enable data centres to participate in DSR activities.
- The demand connection capacity requirements detailed in the Security and Quality of Supply Standard (SQSS) 3.5.1 should be clarified. This clarification could help to ensure that those connecting new demand while permanently reducing their maximum demand needs through flexible technologies are recognised as holding a lower network requirement, resulting in a lower cost to connect. This should also feed through into ongoing network charging reviews.

The impact of any new on-site or private-wire generation on other electricity market participants and system operation needs further consideration. There also needs to be greater regulatory clarity on the use of onsite generation: clarify definitions of emergency use versus market participation, enabling clean backup generators to participate in grid services.

Other barriers to data centres offering flexibility identified by LCP Delta[3] and other Energy UK members include:
- Regulatory divergence: EU-level guidance can provide some clarity, but differences in national applications and local policies make it a challenge for data centre operators to apply a strategy across a global portfolio.
- Cultural: Data centre operators are risk-averse, with a strong focus on reliability and reputation. Flexibility is often seen as a threat to the core business, rather than an opportunity.
- Contractual: Rigid SLAs and 'five nines' reliability contracts leave little room for operational flexibility. Altering these agreements would require a fundamental shift in how services are delivered and guaranteed.

Flexibility does not have to compromise reliability. Operators can:
- Oversize and partition backup capacity: Reserve a protected band of UPS (Uninterruptible Power Supply) and storage capacity strictly for emergencies, while using surplus for grid services. This will be delivered by oversizing the asset past what the data centre needs for backup requirements.
- Automate safeguards: Deploy energy management systems (EMS) with hard ceilings to prevent SLA breaches.
- Innovate contracts: Introduce flexibility clauses that define safe operating envelopes and compensation for curtailment events.

[3] LCP Delta (2026), How to incentivise flexibility in European data centres: From rigid load to a grid asset by 2030

- Aggregation of multiple sites: Spread risk and reduce reliability concerns by participating in flexibility markets with various other data centre sites in a coordinated portfolio via an aggregator.
- Leverage clean power assets during short periods of grid curtailment: As a mechanism to enable data centres to continue their operations as normal, avoiding the modulating of compute.
- An alternative to changing SLAs: Develop new business models that deliver reliability and flexibility at the same time, for example, delivering flexible grid connections via clean power portfolios.

These measures allow operators to monetise flexibility without risking uptime, turning reliability concerns into a competitive advantage.

Electric Heavy Goods Vehicle Fleets

Large depots and hubs for eHGV charging may offer a significant source of flexibility. Depot sharing and smart charging strategies could reduce grid connection costs by spreading demand and managing peak loads. By using private wires and on-site generation and storage, fleet operators can lower their peak electricity demand from the grid, so they can sign up for a smaller, and therefore cheaper, grid connection and pay lower network fees. The ability of fleets to smart charge and participate in Demand Side Response (DSR) is shaped by several interdependent factors, including how a fleet is used, its access to infrastructure, the type of chargers used, and the availability of onsite generation and storage.

Overnight charging at depots in particular presents a valuable opportunity to support electricity system stability and reduce peak demand pressures, although this is dependent on the operational demands of the business.

For many fleet operators, awareness of these options can be low, as energy procurement is often managed by separate asset management teams from logistics, requiring new levels of coordination between teams. While some fleet operators manage their own energy procurement, there is often a knowledge gap on the requirements for energy markets. This can limit smart charging and participation in flexibility markets.

12. **Do you foresee any risks of implementing flexible connection arrangements either for individual projects or the wider system as a whole? Please explain your reasoning and provide any relevant evidence. In your answer, please comment on whether the risks differ depending on the type of flexibility sought, including**
    a) **Flexibility activated only during system stress events and scarcity events**
    b) **Flexibility activated during winter peak days, within defined parameters**

c) **Flexibility applied more broadly during normal operational periods.**
d) **Any other risks.**

Options for a) and b) may be better suited to on-site and private-wire assets that are only used as back-up, with significant levels of contingency built in, and will require additional investment by the energy user.

However, as outlined above, with changes to licences and wider policy, a number of assets could be combined to form a virtual power plant (VPP) to enable this range of assets to be controlled and contribute in a coordinated manner to system events and congestion without significantly impacting the operation of any single large demand user.

All forms of flexibility would be suitable for Option c), including load shifting of computational tasks, industrial processes, and cooling demand. The potential for load shifting the cooling demand of a data centre can be significantly enhanced by connection to a heat network.

Some forms of on-site and private-wire generation used to provide a guaranteed supply of energy can be high-carbon assets. This presents a risk to both carbon targets and local emissions if used as a source of primary power. Mandatory carbon reporting is needed to ensure any unabated gas capacity runs at low load factors, with a reduction in carbon emissions over time for those without an initial grid connection, to ensure this asset remains a bridging option for primary power.

See answer to question 10 on risks to non-firm connections.

13. **Do you see a role for auctions in the reservation or reallocation of capacity for strategic demand projects?**
Please explain your reasoning and provide any relevant evidence.

The use of capacity auctions must be approached carefully, as the natural winner of every auction would likely be a data centre developer capable of paying the highest amount. Ring-fencing capacity for data centres, and for other forms of demand such as housing, may require a separate auction. Specific guardrails for what demand projects could compete in each auction would be required. Adequate capacity would need to be set aside for all end users based on a range of forecasts. These forecasts could be developed as part of the Regional Energy System Plan (RESP) process, and should include engagement with regional and local authorities. This should be coordinated with the national SSEP with clear lines of communication, shared data, and common terminology and methodologies applied.

There is a risk that many end users will be unable to engage with this process due to a lack of capacity or understanding of their future network capacity needs, due to

uncertainty over future policy. This could lead to future shortfalls for other critical sectors such as housing, transport or industrial electrification. Clear guidance and engagement processes must be in place to ensure a level playing field for all consumer types.

It should be clarified where the funds raised by an auction would be reallocated. For example, clarifying if these would be returned to consumers via reductions in energy bills, or used by the network for some other purpose.

Section 2 - Analytical Annex Please refer to Annex A (Analytical Annex) when answering the following questions.

14. To what extent do you agree with the rationale for intervention and the market failures we have identified?

a) Strongly agree
b) Agree
c) Neither agree nor disagree
d) Disagree
e) Strongly disagree
f) I don't know

Please explain your reasoning and provide any relevant evidence.

Agree.

While we recognise the desire to develop the UK's AI capabilities, this should not be prioritised to the detriment of wider economic growth, societal benefits, or other outcomes that can be delivered by other sectors.

The Government should recognise the current and projected costs of energy system balancing and operation, considering the potential scale of impact of strategically located demand to reduce system costs.

15. To what extent do you agree with the impacts that have been identified?

a) Strongly agree
b) Agree
c) Neither agree nor disagree
d) Disagree
e) Strongly disagree
f) I don't know

Please explain your reasoning and provide any relevant evidence.

Disagree.

Energy UK is concerned that the analysis under the TMO4+ impact assessment is already out of date, and as such cannot be relied upon to be accurate.

Distribution Network Operators have not been included in Table 1, but do provide the connections for most demand, and as such should be included in consideration.

The Government should recognise the potential benefits to the energy system of enabling more homegrown low-carbon generation to connect to the system at a faster pace through the strategic location of large demand.

16. Do you think there are other impacts that have not been identified?

a) Yes

b) No

If yes, please describe these impacts and provide any relevant evidence.

Yes.

The full energy system impacts across both power and heat, and how these vary by region, have not been considered. As set out earlier, there are a range of metrics that need to be assessed for data centres.

It is also unclear how these reforms fit with wider policy, such as planning. There is a significant risk that reforms to the connection queue are made before the wider data centre strategy is published. This could lead to a significant volume of large end users, notably data centre securing a connection date without building in designs that enable them to contribute to the efficient operation of the wider energy system.

The analytical annex should include reference to broader policy impacts for the demand side, such as the ZEV mandate, hydrogen business models, and the CCUS programme, as well as the overall impacts on energy networks and system operation. This will help to prevent delays to broader Government electrification and decarbonisation targets.

17. Are there any groups you expect would be uniquely impacted by these proposals, such as small and micro businesses, or any groups of people sharing a particular protected characteristic?

a) Yes

b) No

If yes, please describe these groups and provide any relevant evidence.

Yes.

Other end users that will need significant grid capacity in future to electrify their options are likely to be negatively impacted. These include:

- Heat network operators who have energy management centres that include large heat pumps. To facilitate the delivery of heat network zoning, connections for heat network ECs to the grid should be accelerated if governments decarbonisation ambitions are to be met.
- Public and private transport hubs, including ports, bus/coach depots, and rapid EV charging points
- Fleet operators, the majority of which are SMEs and may depend on shared depots and public charging infrastructure that may be high voltage or trigger reinforcement at the transmission level
- Housing developers who will need significant grid capacity to install low-carbon electric heating systems and EV charging infrastructure
- Manufacturers who are uncertain of when they can electrify due to the current spark gap and are unable to feed into RESP processes

Section 3 – Changes to Methodologies, Licences, Codes Please refer to Annex C (Prioritisation Mechanisms - Draft Changes to Methodologies, Codes and Licences) when answering the following questions.

18. **To what extent do you agree that the textual changes to methodologies, licences and codes proposed in Annex C would achieve the intended effects, as described in the Proposals section of this document?**
    a) **Strongly agree**
    b) **Agree**
    c) **Neither agree nor disagree**
    d) **Disagree**
    e) **Strongly disagree**
    f) **I don't know**

    Please explain your reasoning and provide any relevant evidence.

Member views welcome

19. **Can you foresee any unintended consequences of making the proposed textual changes?**
    a) **Yes**
    b) **No**

    Please explain your reasoning and provide any relevant evidence.

Member views welcome

20. If you would suggest any alternative textual changes to achieve the intended policy effects, please describe them.

Member views welcome