Connections end-to-end review of the regulatory framework

12 February 2025

Summary

- During the transition to net zero, energy demand will increase across the whole logistics system. It is critical the current connections end-to-end process is significantly improved to ensure logistics operators can confidently understand where grid capacity exists, what upgrades are required, and the associated costs.
- Logistics UK strongly supports many of the proposals outlined in the consultation as they should help deliver a better customer journey.
- Logistics UK believes there are areas where additional actions could be taken to further improve current processes.

About Logistics UK

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand up for safe and efficient logistics. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the customers of freight services, such as retailers and manufacturers. We deliver services, representation and thought leadership, helping members and policy makers to seize new opportunities for the sector and the economy as a whole, right across the country.

The logistics sector

Logistics underpins our economy and is fundamental to our way of life. It supplies our hospitals, schools, factories and shops with everything they need, everywhere, every day – nothing moves without it.

The efficiency of logistics and the productivity of the economy are completely intertwined. Due to this relationship, Oxford Economics found in 2023 that getting the policy and infrastructure environment right for logistics would unlock up to £8 billion a year in productivity-led growth by 2030.

However, we are not currently going in the right direction. The UK fell from 4th to 19th place in the World Bank Logistics Performance index over the past decade, largely as a result of border friction and underinvestment in transport corridors.

Logistics is a major sector in its own right. It contributes £185 billion to the economy each year (12% of UK non-financial GVA), is one of the UK's largest employers, providing good jobs with strong career progression – 2.7 million people (8% of the UK workforce) are employed in logistics roles, and its key hubs provide a catalyst for further growth and investment, helping places to thrive.

Logistics has transformed the UK and is now delivering for the future. It helped deliver the country's canals, roads, railways, airports and ports, has driven revolutions in global trade and e-commerce and is now innovating to deliver decarbonisation and even greater efficiency.

Consultation response

Logistics UK welcomes the opportunity to respond to the consultation on the connections end-to-end review of the regulatory framework.

During the transition to net zero, energy demand will increase across the whole logistics system. To electrify logistics, whether that be electric road vehicles, rail or shore power for maritime, the grid will not only need to be connected to green sources of generation but also to be better connected to new locations of high demand. This is acknowledged in the Clean Power 2030 Action Plan, which states that the distribution network needs "significant reinforcement," including "to accommodate new demand in some locations for growing infrastructure and industrial uses, such as data centres and transport hubs." It also states that the UK must maintain "a robust [grid connections] pipeline beyond 2030."

According to current deadlines, all new vans sold from 2035 onwards must be zero tailpipe emission, with this applying to HGVs up to 26 tonnes from 2035 and all HGVs from 2040. These vehicles, if electric, will all need reliable charging infrastructure and this is not happening at anything like the pace required, largely due to a lack of grid infrastructure. Most road operators see depot charging as the most efficient way forward for their electric fleets. However, for operators electrifying their fleet, the capital expenditure required for depot charging can be significant. Some operators currently in the process of electrifying their van fleets have reported costs of over £1 million for energy asset extensions, which is often not commercially viable, especially if premises are leased. Securing approvals is also taking a significant amount of time, with some members reporting up to 10 months and others noting they have been told this could take years.

The end-to-end process with DNOs has been identified as a specific challenge. The processes involved among the various DNOs across the country are inconsistent and unclear at best. Logistics UK has been urging the UK government to work with DNOs and the devolved governments to develop a common service level agreement to standardise the processes between DNOs across the country. We have called for this to outline the process from application to the quote, payment to the assigned person visiting sites, and also payment to design and install. Particularly, we have urged a common step-by-step breakdown to better understand timescale expectations for the customer to ensure a common approach to charging infrastructure roll out across the UK.

Given this, we strongly support many of the proposals outlined in the consultation that should help deliver a better customer journey and address many of our asks outlined above. However, Logistics UK believes there are areas where additional actions could be taken to further improve current processes, and these are outlined in our response.

Consultation response

Theme 1: Visibility and accuracy of connections data and network capacity

Proposal 1a. A new regulatory requirement on DNOs, TOs and NESO to create, maintain and continuously improve single digital view tools to provide accurate, usable connections data to interested parties.

Proposal 1b. A new regulatory requirement on DNOs, TOs and NESO to create and maintain guidance / minimum set of standards for connections data visualisation tools.

Proposal 1c. A new regulatory requirement on DNOs, TOs and NESO to provide compiled system-level connections data on a regular basis for external publication.

Logistics UK strongly supports these proposals as creating more visibility and accuracy on connections data and network capacity is essential to support logistics operators who need to understand available local grid capacity.

One of the biggest challenges for our members is understanding where grid capacity exists, what upgrades are required, and the associated costs. Members have noted that the lack of a single reliable data source can result in businesses submitting multiple speculative applications to understand feasibility, slowing down the process for applications with reasonable odds of success. The process is very manual and often requires a lot of back and forth between business and the DNO to finally reach an agreement.

Logistics UK recommends that DNOs should be required to provide future energy capacity forecasts, to help businesses plan investments in zero-emission infrastructure and help ensure that there is a common understanding from businesses to government that the grid infrastructure is keeping pace with required demand, including increased uptake of electric vehicles. There should also be standardised cost ranges for common upgrades to improve cost transparency where possible and DNOs should proactively notify high-demand sectors (such as logistics) about upcoming capacity constraints and planned upgrades. This is to help bridge the gap of understanding between logistics operators and DNOs. This is particularly important for the large number of SMEs (97.7% of logistics companies in the UK have fewer than 50 employees) who are less likely to have the resource to proactivity engage with DNOs.

Theme 2 - Improved standards of service across the customer journey (not including "minor connections")

Proposal 2a. Principles-based licence condition, and supporting guidance, on DNOs, TOs and the NESO around standard of service required throughout the customer journey, AND / OR,

Proposal 2b. New minimum standards licence conditions and/or SLAs on DNOs, TOs and the NESO around standards of service required throughout the customer journey. Minimum standards could be accompanied by incentive or penalty mechanisms to further drive compliance.

Logistics UK strongly supports proposal 2b. Minimum standards of service should be improved and this should be accompanied by an incentive or penalty mechanism to further drive compliance. Logistics UK members have raised concern that long delays, inconsistent processes, and poor communication between DNOs and customers create major roadblocks to electrification.

Additionally, Logistics UK recommends that a clear dispute resolution process is introduced for businesses to challenge excessive delays or unreasonable connection terms.

Theme 3 - Requirement on networks to meet connection dates in connection agreements

Proposal 3a. A strengthened principles-based licence requirement for DNOs, TOs and the NESO to ensure that they meet connection dates in connection agreements, and to provide timely and accurate information to developers in relation to issues that may impact their connection date or project viability, AND / OR,

Proposal 3b. Minimum standards licence condition or SLAs for DNOs, TOs and the NESO to ensure they meet connection dates in connection agreements and key timelines through the customer journey. Minimum standards could be accompanied by incentive or penalty mechanisms to further drive compliance.

Proposal 3c. A financial instrument that offers recourse to connecting customers who suffer detriment, such as a delayed connection date, due to poor practice on the part of the network company.

Logistics UK strongly supports proposals 3b and 3c. Ensuring connection agreements and timelines are met is critical for the customers journey and recourse for those who suffer detriment due to a delayed connection is a fair approach.

Theme 4 – Quality of connection offers and associated documentation

Proposal 4a - Principles-based licence condition on DNOs, TOs and the NESO on the completeness / quality of the offer and supporting documentation provided to customers in a timely manner, both at the initial offer stage and at subsequent offer update events.

Proposal 4b - Minimum standards licence condition and/or SLAs on DNOs, TOs and the NESO on the completeness / quality of the offer and supporting documentation. Minimum standards could be accompanied by incentive or penalty mechanisms to further drive compliance.

Logistics UK strongly supports proposals 4a and 4b to improve the quality of the offer and supporting documentation. Our members have highlighted that they have encountered large cost variations with no clear justification, with connection quotes for 1MW connections ranging from £1 million to £2 million. Given this, Logistics UK recommends DNOs should be required to provide detailed reasoning for upgrade costs, including benchmark comparisons to ensure fair pricing.

Theme 5 – Ambition of connection offers

Proposal 5a. A strengthened principles-based licence condition that requires DNOs, TOs and the NESO to offer the earliest achievable connection date to the customer, and to provide revised offers in a timely manner if it later became possible to connect the customer more quickly.

Logistics UK strongly welcomes this proposal. Additionally, if a site is ready to connect earlier than its assigned date and capacity is available, the DNO should proactively offer an earlier connection. DNOs should also be required to review connection schedules every six months to determine whether earlier dates can be provided.

Theme 6 – Minor connections

Proposal 6a – Delays / Timelines – Ofgem propose as a minimum to set principles-based licence obligations for DNOs and/or guidance to define clear objectives and expectations for timelines and delays,

AND / OR, set Service Level Agreements (SLAs) and/or minimum standards that DNOs are obliged to meet for minor connection requests, including but not limited to increased transparency, standardising of approaches to the highest standard achievable and defining criteria for auto-approvals.

Proposal 6b - Inconsistencies – Ofgem propose as a minimum to set obligations on DNOs to determine how best to align their processes to ensure high standards are set and consistent across the processes discussed in this theme, and where appropriate, meet the SLAs/minimum standards.

Proposal 6c – Monitoring – Ofgem propose to consider a) monitoring SLAs and/or minimum standards with compulsory reporting from the DNOs, and/or b) publishing the resulting data as aligned to SLAs and/or minimum standards if set.

Proposal 6d – Enforcement – Ofgem propose to consider whether the current arrangements for financial recourse are sufficient for minor connection customers, and if not, whether there is a need for a consumer body, or an improvement of what already exists for connection customers, to ensure minor connections are facilitated to a high standard and in a timely manner. This includes consideration of whether expanding / extending the GSOPs for minor connection customers would deliver better outcomes.

Proposal 6e - G98 Limit - We propose to set an obligation on DNOs to review their policy towards the G98 limit, including increasing the current limit unless there is a justification of why uplift is not in the consumer interest, or could have unintended consequences for the network. This would allow more connections to proceed as 'Connect and Notify'.

Proposal 6f - Notifications - Ofgem propose to investigate how to strengthen the notification obligation on LCT installers, i.e. where they must notify the DNOs of all new LCT connections.

Logistics UK supports setting Service Level Agreements, and the other proposals outlined. Additionally, Logistics UK recommends that minor connection applications that meet standard criteria should be automatically approved within 28 days and that a single, unified minor connections process should be implemented across the UK to remove inconsistencies.

Theme 7 – Provisions and guidance for determinations

Proposal 7a - Ofgem to review the guidance for connection determinations with a view to updating it if changes are considered appropriate / necessary for the current connections process and landscape.

Logistics UK supports this proposal. Logistics UK also recommends an independent body should oversee connection disputes and disputes should be resolved within 90 days to prevent excessive delays.

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