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Konark Anand
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Dear Konark

TI response to “Consultation on the initial findings of our Electricity Transmission Network Planning Review”

Transmission Investment, as one of the UK’s leading independent transmission companies manages one of the largest offshore electricity transmission portfolios. Our managed portfolio of Offshore Transmission Owner (OFTO) assets includes the connections to nine offshore wind farms, and we will take over management of a further offshore wind connection in 2022 – in total a portfolio of approximately 3GW and over £2.5bn in capital employed. We are one of the largest managers of offshore wind transmission in GB, which is the largest offshore wind market in the world.

Transmission Investment is also a strong advocate of introducing competition into the delivery of onshore transmission and we continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations such as these and providing evidence to parliament.

Transmission Investment is leading, in partnership with the French national grid company RTE, the development of a proposed 1400MW HVDC interconnector between France and Britain via Alderney (“the FAB interconnector project”). This project was granted cap & floor regulatory treatment in 2015 and whilst it continues to experience Brexit related delays, it will commence construction as soon as the regulatory process allows. Transmission Investment is also in the early stages of developing a 700MW HVDC interconnector between Scotland and Northern Ireland (“the LirIC interconnector”).

We welcome the opportunity to provide our views in writing on the consultation on Electricity Transmission Network Planning Review, having already participated in the Strategic Advisory Group and some of its working groups. We provide answers to your direct questions in Annex A to this letter but would highlight the following.

The FSO as the Single Electricity Transmission System Planner

The Electricity Transmission Network Planning Review provides an opportunity to put in place planning arrangements that are fit for purpose not only to deliver Net Zero by 2050, but also

to ensure that a cost-efficient transmission system is both planned and delivered. As such we are concerned that the proposed arrangements whereby responsibility for planning is spread across several different entities (FSO and at least three TOs), and with several of these parties having potential conflicts of interest in having both a planning role and a delivery role, could lead to an inefficiently planned system, and one which does not gain the full benefits of competitive delivery. In our view, as an Enduring Vision, it would be simpler, more efficient and cost-effective for the FSO to be solely responsible for transmission system planning. This would make it absolutely clear who had the responsibility for compliance with SQSS in both planning and operational timescales (the FSO), should ensure that the transmission system is planned onshore and offshore as a single system, and (assuming a fully independent FSO) would greatly remove any potential conflicts of interest in respect of planning and delivery.

The role of the FSO

In our view the FSO should be producing the High-Level Network Design for all electricity transmission schemes onshore and offshore (load-related and non-load related). We are not entirely clear on Ofgem's definition of High-Level Network Design. We mean by it a functional specification of a solution which under the Early CATO model would need to include its topology (including end points), or potential options for these, functional performance criteria (such as MW or MVar capacity), and any interface constraints.

Under a late model, the design would of course need to be developed further from the High-Level Design in order to obtain land rights and consents. This should also be a role for the FSO, if an alternative suitable independent third party cannot be identified. The FSO can also have a role as the procuring authority, as is proposed under the Early CATO model. For both of these last two areas the ESO would need to enhance its capabilities significantly in order to successfully perform these functions but this should be achievable.

The role of the TOs

We agree that the TOs have important and valuable information about their existing electricity transmission system assets (including property holdings and relationships with local stakeholders). This information should be made available to the FSO in a timely and transparent fashion in order to enable it to plan the transmission system. The TOs may also legitimately have proposals in terms of potential solutions to constraints, as will other interested parties.

For those projects which meet the criteria for competition, TOs should have not have a role in the planning and design of these projects other than in the provision of information to the FSO. There will be perceived or actual conflicts of interest for TOs to be involved in any detailed network design of projects to be competed, if they or their affiliates were also allowed to compete.

Attracting other interested parties

For there to be an active market for solutions, new market participants should have an equal voice to the TOs. At present we perceive there is an incumbent bias as evidenced by the set up being proposed which reflects the situation today where three companies (within which reside the three TOS and the ESO) dominate, not an operating model that supports the future (e.g. with an active market for solutions).

Tackling this may require thinking now about governance that supports the future world. This could mean being more inclusive of the minority voices allowing them to be amplified by the process, e.g., one (not three) incumbent voice, one challenger voice, one non-network voice, one consumer voice etc.

Linked to this is the resource imbalance between the incumbents and other interested parties, in particular the resources available to define, specify and promote traditional solutions is overwhelmingly sitting with those that benefit from the status quo. It could therefore be hard for new entrants/innovators to reach the level of maturity where their proposed solutions can be assessed alongside those of the incumbents, where they are not seen as novel and higher risk, and also where they are at a disadvantage in that they cannot recover their costs of making proposals whereas an incumbent can do.

Possible solutions to this are:

- Development of a funding model to provide the minority providers with access to resources to help to mature their proposals/solutions to be able to compete with traditional investments (similar to innovation funding); and/or
- Require incumbents to appoint and fund an 'alternative solution champion' to support challengers and innovators to tackle the barriers and counter-arguments of the current industry structures, e.g. Code requirements, technology integration, operability challenges.

If you would like to discuss any of the points raised in this response, please contact me.

Yours sincerely,



Chris Veal
Managing Director

Annex A – Consultation Questions and Responses

Question	Response
<p>Question 1: What are your views on our key objectives for future ET network planning arrangements that can deliver Net Zero at lowest cost to consumers?</p>	<p>We consider that whilst achieving net zero by 2050 and its intermediate targets is the most important aspect, cost to consumers should be alongside it and therefore more clearly emphasised. Cost is still of fundamental importance to most electricity consumers. This review provides an opportunity to ensure that planning and subsequent delivery are as cost-efficient as possible, but only if cost is seen as one of the key drivers.</p>
<p>Question 2: Are there any other key workstreams that interact with this review that we need to align with?</p>	<p>We have not identified any missing key workstreams.</p>
<p>Question 3: Do you have any views on the scope of the review? Are there any key topics that we have missed?</p>	<p>We consider that the scope of the review should not be limited in respect of the electricity transmission network and that it should cover all load-related and non-load related investments. The definition of Strategic Investment is very unclear (4.12) and we do not understand why it is restricted to “low regret” investments only. We of course understand why it is easier to demonstrate the need for low-risk investments but in many respects a central network planner is better placed to determine the need for higher-risk investments than anyone else.</p> <p>Having two layers of planning covering the same geographical area, in our opinion, is likely to lead to inefficient planning. A duplication of effort in the best case, and wasted investment in the worst.</p> <p>As set out in the covering letter, we consider that there should not just be a Central Network Planner but more clearly a <u>Single</u> Electricity Transmission System Planner. The review should consider this option.</p> <p>It is important not to place too much weight on the status quo and to assess objectively what is the best model for the future and then decide how to get there. This review should be more ambitious, even if the ultimate goal has to be reached in a staged manner.</p>
<p>Question 4: Do you have any views on the success criteria? Are there any key areas that we have missed?</p>	<p>As noted in our response to Question 1 above, impact on reducing cost should be highlighted more in the Success Criteria. It doesn’t seem to appear at all except indirectly as “innovation”?</p>
<p>Question 5: What are your views on our enduring vision for Centralised Strategic Network Planning?</p>	<p>We agree with the move to a Central Network Planner but as noted above we believe this should be the Single Electricity Transmission System Planner (SETSP).</p>

	<p>The FSO should be well placed to plan the whole electricity transmission system, onshore and offshore. It should receive information from all TOs (including onshore TOs, OFTOs and CATOs) about the status of their assets and the need for capital expenditure to maintain the capability each asset provides. The FSO should then use this information to decide how the transmission system should be developed.</p> <p>We agree with the inclusion of all load related electricity transmission network investment in GB but consider it could also include non-load related investment as well.</p> <p>The TO's role should be limited to providing information on the status of their assets, and what expenditure would be required to keep them available. TOs should not be required to provide proposals for how to develop the system (but may be free to do so as would any third party). As such the TOs should have no licence obligations to comply with SQSS (we don't agree with the statement on page 52 of the consultation document in this respect) and this responsibility should sit solely with respect to the CNP/SETSP.</p> <p>The approach proposed in the consultation document of planning being the responsibility of both the CNP and the TOs in respect of planning would lead to confusion as to who was responsible for compliance with SQSS. This will only get more difficult as an offshore meshed grid gets developed which has the potential for enable the system as a whole to be planned to be compliant with SQSS planning standards.</p>
<p>Question 6: Do you have any views on the proposed central network planner's role, who that planner might be, and how it may perform this function?</p>	<p>We agree that the CNP/SETSP should be the FSO.</p> <p>It seems also likely that the FSO will also procure transmission through Early CATO. In our view it would make sense (with suitable enhancements in capabilities) that the CNP/SETSP should be responsible for procuring all transmission, either through competitive procurement exercises (such as early CATO, late CATO or Pathfinders), or through direct procurement from TOs for projects not meeting the criteria for competition. This would then place all responsibility for planning, procuring (but not building, owning, repairing or maintaining) and operating the GB transmission system, onshore and offshore, into a single organisation.</p>
<p>Question 7: What are your views on the proposed stages and focus of the enduring CSNP model? If you can suggest alternative approaches to any of the stages then please do so.</p>	<p>We agree that the proposed stages are the correct ones. However, as noted in our covering letter we consider that:</p> <ul style="list-style-type: none"> i) In respect of Stage 3 (Identify Investment Options), the TOs and other interested parties should be on a level playing field with

	<p>ii) respect their resources and how their views are heard and taken into account; and In respect of Stage 7 (Detailed Design Solution), we do not agree that TOs should have a role in this stage (in their role as a TO) for projects that meet the criteria for competition. Any detailed design should be carried out by the winning bidder (for projects subject to early CATO competition) or alternatively by the FSO or an alternative independent party (for projects subject to late CATO competition).</p>
<p>Question 8: What are your views on closer stakeholder co-working to break longer-term uncertainty deadlocks?</p>	<p>We agree that more should be done in this area.</p>
<p>Question 9: What are your views on allocating risks and accountability for various aspects of the CSNP, and for delivering the options finalised under CSNP? Do you have any suggestions to mitigate any of the risks?</p>	<p>In our view many of the risks inherent in the process arise because of the duplication of planning responsibilities across the FSO and the TOs. If a Single Electricity Transmission Network Planner were to be appointed (the FSO) then:</p> <ul style="list-style-type: none"> • The FSO would have the sufficient knowledge, skills and capabilities if it acquired the relevant staff from the TOs (who would no longer need them); • The CSNP output would be less likely to be of sub-optimal quality if the FSO had clear responsibility for both the planning and operational aspects of the SQSS, together with responsibility for procurement of solutions; • There would be no duplication of resources across the FSO and TOs.
<p>Question 10: What are your views on the proposed Transitional arrangements?</p>	<p>We would like to see further detail on what this means in practice. In our view the incumbent TOs should cease to have a role in planning of onshore transmission as soon as is pragmatic and should have no role in offshore transmission. We accept that there has to be a transitional phase (or at least that it is sensible that there is one) in which there is a staged wind down of the TO's planning responsibilities. We would like greater clarity of how responsibility for planning is to be transferred from the TOs to the FSO in a manner that does not lead to duplication or work, wasted investment or similar.</p> <p>It is difficult to define categories of need for which the CNP should become responsible over time for planning solutions, as there can be overlap in what solutions can provide. Possibly there needs to be some "parallel" running of planning (inefficient as this may be) or alternatively a transfer of the relevant planning teams</p>

	from the TOs to the FSO so that one week they are planning the system for the TO as their employer, and the next for the FSO as their employer.
Question 11: Do you have any views on the next steps to implement CSNP?	<p>We agree that transitional arrangements should be put in place in 2022. We also agree that the CNP role as described in the consultation document could be a useful first stage towards an enduring model which more closely resembles the SETSP set out in our response above.</p> <p>Further work exploring the transition from the CNP role to a single planner role should commence in 2022 also if the benefits of this single more efficient approach are to be gained sooner rather than later.</p>
Question 12: What are your thoughts on our initial view of the areas to be covered in the next phase of the review? Are there other areas that aren't included that you would like us to include?	We agree that the ESO could lead on topic 2 (Analysis and decision-making methods for load related network planning) and on topic 3 (Breadth of solutions, covering whole system solutions and innovation) although we would argue that there is some overlap in this third topic with topic 4 (Roles and responsibilities in network planning, including the early development of solutions and designs) which we see as an Ofgem led activity.

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