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Date

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Contact

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Dear Jon,

**SP Transmission (SPT): Response to Ofgem's consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects.**

SPT welcome the opportunity to respond to Ofgem's consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 (tCSNP2) projects. This consultation is an important milestone in the delivery of critical national transmission projects across GB and we would like to note the positive engagement that we have had with Ofgem throughout this process has been encouraging.

The tCSNP2 identified the need for ten SPT projects which our teams have been continuing to develop at pace given their national importance in enhancing energy security and connecting clean renewable generation across central and southern Scotland.

Despite the continuous engagement with Ofgem in the lead up to the publication of this consultation, we have identified a number of concerns with the proposed approach to funding our tCSNP2 projects and the wider application of the shortlisting process for identifying projects eligible for early competition.

Currently SPT support significant competition on our network, with c.96% of our regulated transmission activities being delivered by the market.<sup>1</sup> We welcome further engagement with Ofgem in relation to our tCSNP2 projects and to ensure that whichever project is selected for the first competitive tender reflects the best value for consumers and doesn't cause any unnecessary delay to the achievement of the collective national decarbonisation ambitions. It is key to note that many of the serious concerns that we have raised throughout the early competition policy development remain unanswered or acknowledged.

A summary of our response can be viewed below alongside our detailed comments to the consultation questions, which are set out in Annex 1. Please also refer to our Confidential Annex which provides our view on Ofgem's proposals.

**Funding gaps in project development – impact on acceleration.**

Ofgem's proposals on funding the tCSNP2 projects raises significant concerns when factoring in the seven-month gap in funding between development track and delivery track projects. With

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<sup>1</sup> [https://www.spennergynetworks.co.uk/userfiles/file/Annex\\_18\\_Competition\\_Plan.pdf](https://www.spennergynetworks.co.uk/userfiles/file/Annex_18_Competition_Plan.pdf)

Government ambitions reflecting a 2030 date for decarbonisation, the focus will need to be on accelerating the delivery of the strategic projects. There should be a focus to remove barriers to efficient and timely delivery of assets by ensuring that tCSNP2 projects are funded to ensure acceleration where possible. There is significant potential for the gap in funding after the initial development track PCD, to delay projects when it would be more efficient to continue developing the projects until such time Ofgem and the Electricity System Operator (ESO) have decided on the tCSNP2 refresh. The reality is that waiting 17 months for a decision on whether a project will be required or not significantly impacts investor confidence and risks the delivery of all tCSNP2 projects. We believe that Ofgem should have a dynamic approach and fund activities to continue developing projects past the development track PCD until such time that tCSNP2 refresh completes.

#### **tCSNP2 refresh timeline and requirement.**

We are concerned with the messaging in the consultation which refers to the tCSNP2 as a high-level plan when the actualities of the tCSNP2 was a highly detailed and complex assessment of the requirements for strategic projects required across GB to address boundary constraints, which had taken place over a ten-month period. We agree that most of our projects are not currently at a mature stage, although this does not diminish the need for the projects when considering the environmental and community factors which provide a proportionate level of detail on the consentability of each option considered.

#### **Project Costs and Programmes.**

We provided Ofgem with a detailed breakdown of costs for our tCSNP2 projects on the 12<sup>th</sup> of April 2024, alongside high-level initial programmes. We believe that Ofgem will be best suited to collate the costs from the TOs and apportion the percentage splits on named projects accordingly, ensuring that Transmission Owner (TO) costs are reflective of the information the TOs have provided to Ofgem and the ESO. The costs that Ofgem have outlined are not consistent with the costs that we have previously provided Ofgem. We therefore maintain the position provided on the 12<sup>th</sup> of April 2024 and would refer Ofgem back to those figures in relation to our forecast project costs. The SPT project costs that we provided to Ofgem matches the figures we provided to the ESO in September 2023.

#### **Competition Selection Process and Shortlist.**

We remain hugely concerned with the approach taken on the implementation of competition at this time. There are significant outstanding concerns with the competitive process which are required to be addressed before the first competitive tender takes place at the end of 2024. It seems to be counterintuitive for Ofgem to make the case for reassessing the need for the tCSNP2 projects in 2026 due to their perceived immaturity and then for Ofgem to press ahead with a flawed competitive model which will exempt a project at the end of 2024 from further consideration in the refresh in 2026. Ofgem will significantly increase the chance of locking in a suboptimal solution which might not even be required if it were assessed in the proposed refresh in 2026. As such, we strongly encourage Ofgem to delay the introduction of competition until such time that Government provides a clear directive on the Clean Power 2030 (CP2030) plan; the projects identified for acceleration; and the project need is reaffirmed by the ESO. This will ensure that consumers are not facing a competitive process that does not maximise on consumer benefits.

We are also concerned that there is an apparent lack of transparency from both the ESO and Ofgem when it comes to the application of the Criteria Regulation. All of our projects that have been identified in the shortlist have various degrees of interdependencies. HGNC for example is coordinated and complimentary of NHNC and CMN3 which will see interdependencies having to be managed carefully and efficiently. Our NHNC project also integrates with the coordinated and complimentary B6 reinforcement of CMN3 and WCN2. Our CMN3 project has significant interdependencies and careful coordination is required with the WCN2 project to co-locate new OHL routes across B6 to ensure environmental restrictions are carefully considered and acknowledged, including Hadrian's Wall – a World Heritage Site. WCN2 will also see the existing 275kV routes XY/WA uprated to 400kV and will have the same consideration as CMN3 with regards to the environmental restriction. As such, each of

our projects that have been shortlisted does not satisfy the criteria set out in the regulations and therefore should not be considered for the first competitive tender.

As stated in our trilateral meeting with the ESO and Ofgem on the 7th of June 2024, several of SPT's tCSNP2 projects have associated connection offers and agreements that have been issued to and accepted by our customers on the basis that these projects will be delivered by SPT in the current timeframes. Any competitive tender process will only delay our commitments to our customers, and it is entirely unclear how future customers who wish to connect will be managed and economic, efficient, and co-ordinated outcomes are ensured, if a project is put to competition. Should Ofgem select one of these projects for competition, there is a risk of not meeting our contracted connection dates with our customers with a loss of efficiency and a lack of coordination in system development. This also has much broader unintended consequences in relation to the achievement of national legally binding net zero targets.

It is imperative to consider the environment in which these projects will be constructed, in doing so there are several of our projects that are inseparable. There are planning and consenting integrations and considerations required for several of our projects which require a careful, cross project and coordinated approach to ensure that environmental considerations are treated efficiently, effectively, and sensitively.

Please do not hesitate to reach out should you wish to discuss any of the issues raised in this response.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Scott Mathieson".

Scott Mathieson  
Director of Network Planning and Regulation, SP Energy Networks

## Annex 1 – Responses to Consultation Questions

### Q1 - Do you agree with our assessment of the tCSNP2 and the risks that we have identified?

We welcome the UK Governments refreshed ambitions and look forward to receiving further information on this. It is correct that these new ambitions are considered in the context of the delivery of these national strategic projects, and we welcome Ofgem's considerations of this within the consultation. Although we await further direction from Government on the detail around their CP2030 plan it is clear that these ambitions will shift targets closer from 2035 to 2030. In considering this we expect that further acceleration is required without delay. We have reservations that the tCSNP2 refresh process may be counterintuitive to the Government's ambitions given the robust data driven information that went into developing the tCSNP2.

It is paramount that any transmission network investment is in the interest of GB consumers in the context of cost, energy security and decarbonisation, it is also essential to ensure that a robust Cost Benefit Analysis (CBA) is undertaken to determine consumer benefit. It is imperative that Ofgem provides a clear signal in its intent.

Whilst we accept that there are many everchanging factors that require to be carefully considered we have reservations over Ofgem's positioning of this consultation and believe that it heightens ambiguity in the context of the need for these projects which in turn has a significant impact on investor confidence and community acceptance. For example, Ofgem state that they agree with the tCSNP2 'high level plan'. The tCSNP2 was a lengthy and detailed exercise which saw experts from across industry feeding into this process across a ten-month period. There was highly detailed and complex assessment of the requirements for strategic projects required across GB to address boundary constraints. This plan was not high level. Furthermore, Ofgem note that there is uncertainty around the design, costs, delivery timings and certainty of need for these projects. SPT have had extensive engagement with Ofgem over the past eight months outlining the progress made in the development of our projects including costs and project programmes. Whilst we agree that the maturity of the projects are at maturity level 1-2 at this time, the level of economic factors being compared are the defining elements. Consideration of environment and community factors, based on a qualitative BRAG appraisal, provides a proportionate level of detail on the consentability of each option considered. Further work being required from an environmental and survey perspective, in our view, does not suggest that the tCSNP is high level. We would also re-emphasise that the tCSNP2 was put in place to determine the need for strategic projects required to address boundary constraints, at SPT we support the findings of this assessment (subject to our concerns around the early competition assessment noted below).

Ofgem also noted that 'material funding' will not be made available until there is greater certainty on project scope, delivery timings and costs. Whilst the initial development funding (IDF) will go towards progressing these projects, we have reservations on the value of these funds being appropriate to continue to develop these projects at pace and in turn we see issues arising with funding gaps between now and the proposed tCSNP2 refresh expected in 2026. Lastly, the consultation notes that 'regardless of whether the tCSNP2 projects are required as part of a CP2030 or to meet network needs beyond 2030, we consider it important that these projects are not delayed and want to ensure that they continue to be developed at pace.'<sup>2</sup> We do not see it being appropriate to wait until Jan 2026 (17 months) to receive a decision on whether projects are required or not whilst still being expected to invest and develop these projects at pace.

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<sup>2</sup> Para 3.8 of the [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](https://www.ofgem.gov.uk/consultation/consultation-on-the-proposed-regulatory-funding-and-approval-framework-for-onshore-transitional-centralised-strategic-network-plan-2-projects) ([ofgem.gov.uk](https://www.ofgem.gov.uk))

Urgent clarity from Ofgem is required to provide certainty for TOs in the investment, development, and delivery of these projects in the context of an ever increasingly stretched workforce and the securing of an already strained and challenging supply chain.

The tCSNP2 identified ten SPT projects and eight of these projects have received a clear ‘proceed’ signal which outlines value for consumers, society, energy security and decarbonisation. We have reservations around the requirement for a tCSNP2 refresh being required to provide certainty for these projects. In undertaking a refresh and with no clear funding mechanism being available to move projects from the proposed development track to the delivery track until the refresh is complete it creates investment uncertainty and could cause significant delays to the delivery of these critical projects in turn risking the crucial enhancement of energy security and decarbonisation to reach net zero.

Due to the uncertainty around the need to accelerate certain projects in light of Governments revised net zero targets, and the uncertainty introduced by the tCSNP refresh, we encourage Ofgem to delay the implementation of the early competition process until such time Government and the ESO have confirmed the projects required for acceleration and the potential impact that could have on the shortlisted projects. Implementing competition in these current circumstances without clear certainty whether a project selected for competition may be required to be accelerated and delivered by an incumbent TO will create unnecessary uncertainty and impact investor and supply chain confidence. As such, we strongly support delaying the introduction of competition until such time as clear direction has been obtained from Government.

We welcome the recognition of the impact market design has on network investment and the current uncertainty of GB energy market design. We also recognise that the benefits case for transmission build should be in the consumer’s interest. We expect that the enduring CSNP regime should bring more certainty to network build and remove the timely processes previously required for needs cases to be proven. We believe the enduring CSNP process should be cognisant of potential changes in energy markets but should only adopt these into the CBA in the cases where:

1. Delivery dates are far enough into the future that changes in CBA would have little impact to network companies and little economic impact to consumers.
2. The changes in market design are confirmed.

We request that the ESO’s analysis of the consequences of zonal pricing on optimal transmission build consider the increased burden of forecasting required to perform a CBA. Whilst we agree that balancing costs will be reduced or removed entirely in a zonal market (a dominant driver for GB network build) the costs associated with such constraints do not disappear and instead of being charged through Balancing Services Use of System (BSUoS) will go through the whole sale price of electricity, either way it is the end consumer that will bear these costs. It will be imperative that these costs form a new way of assessing cost and benefit. We request the ESO consider other traits and the associated complexities typical of a zonal market such as Financial Transmission Rights, volatile wholesale pricing, price fluctuations from outages/storms, potential plant closures due to low zonal price, potential investment hiatus and grandfathering rights and general changes in generation/demand patterns. All of the above should be considered in the ESO’s analysis noting the consequences to future consumers. We ask that this analysis recognises the increased complexity and change required to existing benefits calculations.

Although we accept transmission reinforcement CBA will need to be reviewed in the case of market re-design, we also remind Ofgem of the criticality of enhancing energy security and the race to Net Zero and stress that the value of network build should also consider decarbonisation goals.

We are also concerned with the significant level of reforms affecting the transmission industry. We have set out some of these high-level concerns here. In terms of the proposed REMA process, there is significant potential for REMA to impact interconnectors and storage projects which could ultimately

impact TO projects. In addition to REMA, the reforms to the balancing market could equally effect TO projects as it will directly impact constraint costs.

In terms of the HND1 and FUE impact assessment process, the ESO has opened up the whole tCSNP2 assumptions so even with the greatest level of option maturity possible and thorough techno economic assessment should the GWs of offshore wind be moved around, there would be significant impact on the MITS resulting in material changes. Fundamentally the "firming up" of the energy landscape was one of the primary reasons for a shift to a Centralised Strategic Network Plan (CSNP) supported by a Strategic Spatial Energy Plan (SSEP). Considering the level of reforms and uncertainty facing the industry, we encourage Ofgem to consider the priorities of Government and to ensure the policy developments reflect the changing landscape.

### Concerns with consistency of Early Competition implementation vs tCSNP2 refresh.

The Mission for Clean Energy 2030 is described as having a "relentless focus on accelerating the transition away from volatile fossil fuel markets to clean, homegrown power." It is also intended to "clear the way for energy projects" and "speed up the connection of new power infrastructure to the grid." Using the early competition model to deliver critical net zero infrastructure will delay the delivery of these schemes by up to three years, as detailed in the Early Competition Plan, and is not consistent with the ambition set out by the new Government. It is imperative that Ofgem rethinks the timeline and suitability of the introduction of early competition at this time. We seek this decision to be made urgently to mitigate the serious risk and consequence of the introduction of early competition.

Ofgem's proposals do not consider the TOs costs to deliver a project as a counterfactual against those received from bidders if the incumbent TO does not bid into the process. This causes significant concerns that the project identified for early competition as the winning bid may not actually present net consumer value. What also remains unclear is the level of weighting given to Ofgem's decision making criteria for determining the successful bidder and we would encourage Ofgem to be transparent with its assessment metrics.

Ofgem state in the consultation that it *'intends to confirm the delivery body for tCSNP2 projects (and confirm exemptions from competition) once projects are put into the Delivery track, either following the tCSNP2 Refresh or if the projects are required as part of the CP2030 plan.'*<sup>3</sup> We are also concerned that Ofgem make the repeated point that the tCSNP2 requires a refresh in January 2026, although is looking to select a project for early competition by the end of 2024 and that project will not have its needs case reassessed as part of the refresh exercise in 2026. Ofgem state in the consultation that it wants 'the ESO to ensure a project is not chosen and a design choice effectively locked down at [a point prior to the tCSNP2 refresh] which results in a sub-optimal network in future or exposes consumers to additional costs.'<sup>4</sup> We agree with Ofgem's position here and strongly suggest that in terms of introducing competition Ofgem is in effect locking in suboptimality which does not represent net consumer value if it were to select a project for the first competitive tender prior to the refresh in 2026. Our concern is that, if Ofgem adhere to current timescales for early competition, Ofgem will have excluded a project from reassessment as part of the tCSNP2 refresh therefore significantly increasing the possibility of locking in a suboptimal project for competition.

We strongly suggest that Ofgem delay the introduction and implementation of competition until the tCSNP2 refresh takes place in January 2026 so as to ensure the competitive process delivers net consumer value particularly in light of potential changes to the tCSNP2 needs case on certain projects and the current lack of guidance from Government on what the CP2030 will require to be accelerated.

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<sup>3</sup> Para 6.13 of the [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](https://www.ofgem.gov.uk/consultation/consultation-on-the-proposed-regulatory-funding-and-approval-framework-for-onshore-transitional-centralised-strategic-network-plan-2-projects) ([ofgem.gov.uk](https://www.ofgem.gov.uk))

<sup>4</sup> Para 6.18 of the [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](https://www.ofgem.gov.uk/consultation/consultation-on-the-proposed-regulatory-funding-and-approval-framework-for-onshore-transitional-centralised-strategic-network-plan-2-projects) ([ofgem.gov.uk](https://www.ofgem.gov.uk))

## Q2 - Do you agree with our proposals for the “Development track”?

SPT welcome the principle behind the initial development fund and support the Use it or Lose it (UIOLI) substitutable approach that is being proposed by Ofgem. We support the use of this fund up until the end of 2025. We have however outlined concerns below in relation to the potential disparities in costs and the potential regulatory funding gap of seven+ months that results from the proposed PCD of 30<sup>th</sup> of June 2025. Many of our activities are not linear in their application of activities and as such, activities such as stakeholder engagement and sensitivities are required at various stages to ensure the effective delivery of our projects.

### Percentage allocation of Initial Development Funds.

Ofgem’s assumption on the project costs split do not reflect the actualities of the tCSNP2 projects. The majority of our projects also have an element to be delivered by other TOs, which will be developed, designed, and procured independently from each other, whereas only our WCD4 project will be a formal Joint Venture (JV) project with NGET. As such, the assumptions around the cost splitting should be adjusted to reflect the estimated cost profiles from each TO and the development track applicable to those costs. Ofgem is in the best position to obtain TO costs and to apportion the split accordingly based on the latest figures submitted by the TOs to reflect the latest cost estimations. In any case, we welcome the proposals for the development track funding of initial development activities of 0.5% of estimated project totex with the appropriate UIOLI pot substitutable across our tCSNP2 projects.

### Price Control Deliverable (PCD).

SPT support the need for a PCD attached to the IDF and agree with Ofgem’s observations that the maturity level set out by the ESO can be subjective to which we support the inclusion of the criteria set out by Ofgem. We do however have concerns over the principle of this PCD and its timeline, which bears no consideration for the maturity levels of the individual projects it is intending to incentivise.

We would highlight that Ofgem should present caution in their approach to the setting of the PCD date which is attached to the development track to ensure that it does not disincentivise TOs from initiating the development of projects at a very early level of maturity. As it stands at the moment if costs are incurred on a project this would therefore mean that the PCD would have to be met. If a project will not be in the position to meet this PCD the PCD could be a deterrent to the TO investing any development funding in said project. We would like to assure Ofgem that this is not the position of SPT at this time however transparency is important as we all play our part in the decarbonisation of GB society.

SPT will aim to align current project programmes to align with Ofgem’s proposed PCD of 30<sup>th</sup> of June 2025. We would welcome clarity from Ofgem on what the implications are should a TO not be able to meet the PCD and what impact if any this would have on the IDF or the projects progression into the delivery track.

Should any of the projects in the tCSNP2 not reach the appropriate maturity level by the PCD, delaying the progression of the project into the delivery track until the 1<sup>st</sup> CSNP c.2026 could have significant implications for the overall delivery dates of the project in question, particularly if the projects in questions are required as part of Government’s CP2030. We would encourage Ofgem to consider appropriate flexibility to be incorporated in the PCD. We believe that TOs should not be left with significant risks due to potential delays that are outside of our control. As such, we encourage the PCD to account for exceptional events and to provide adjustments to the PCD depending on those events.

It is also critical for Ofgem to provide clarity on how projects will be funded should they progress to the end of ESO maturity level 2 by the PCD date and then require activities which will fall under the



delivery track being progressed. A loss in momentum from Ofgem in providing funding for these projects could have a significant impact and could result in delays to the delivery of the projects. This is particularly due to the seven month regulatory funding gap between the PCD and January 2026. We need urgent clarification from Ofgem on this.

### **Potential Seven Months Gap in Regulatory Funding.**

Ofgem's view is that projects should be developed as per the Price Control Deliverable attached to the Initial Development Fund and that they do not anticipate projects to move from the development track to the delivery track until the tCSNP2 refresh is complete in January 2026. We have significant concerns over this approach. As we develop our projects to ESO maturity level 3 by June 2025 there will be a seven-month gap until Pre-Construction Funding (PCF) is made available to deliver these projects. This would therefore result in TOs not having access to funding to continue the development of these projects once the initial development fund has been utilised.

In the context of accelerated project delivery to support the UK Governments refreshed 2030 targets, not having the appropriate regulatory funding in place would negatively impact the development of these projects and could put the achievement of these targets at risk. We request that Ofgem considers this and makes the appropriate allowances through a regulatory mechanism to cover these costs.

For example, SPTs WCD4 project which has a proceed signal from the tCSNP2 will see the delivery of an overall 4GW north to south capacity by establishing 2 x 2GW HVDC circuits, utilising four subsea cables. Early development desk top works are expected over the coming months which will take this project to the start of maturity level 3 in line with the proposed PCD. However, as part of the development of this project, marine surveys etc will be required. Previous experience of developing our EGL projects suggests this type of development work is undertaken under PCF. We would like to initiate these works in 2025 however as per Ofgem's view in this consultation there will be no regulatory route to fund this activity prior to the tCSNP2 refresh in January 2026. If there is no appropriate regulatory route to fund the undertaking of this activity it is likely to hamper the development of this project. We urge Ofgem considers these factors to ensure that these projects can continue to be developed at pace.

### **Stakeholder Engagement Considerations and Sensitivities.**

It is important that it is recognised by Ofgem that to develop these projects to the ESOs maturity level 3 that no public consultation will take place. This therefore requires that the outcome of the development work must be treated sensitively.

In terms of the requirement for completing ESO maturity level 2 by the proposed PCD date of 30<sup>th</sup> June 2025, we are concerned that there is a lack of clarity on what activities will need to be carried out to evidence the move into ESO maturity level 3. There is not a clear line distinguishing between the two levels detailed in the consultation, other than once the scoping and strategic optioneering activities have been completed and a preferred solution identified to be taken to consenting. Within the scope of our activities and ESO maturity levels, many of the activities do not necessarily fall within define ESO maturity levels. Often some activities may sit cross both level 2 and 3 due to their importance in the project design and development.

The emerging requirement to provide an indicative route corridor at maturity level 2 does not provide certainty to Ofgem, ESO or TOs, as there has been no formal feedback loop to test the assumptions that have fed into its selection. On that basis, to show an indicative corridor in a published plan, regardless of caveats, will create significant risk of challenge from stakeholders at all levels, from MP/MSPs, through to local planning authorities, statutory stakeholders, communities, and landowners. The thrust of the objection is likely to be on the grounds that the ESO/TOs have somehow 'pre-judged' the outcome of future pre-application consultation. This is therefore likely to cause



further delay in consenting these projects, as well as presenting other avenues for objectors to challenge projects, including through judicial review of Secretary of State/Scottish Ministers decisions.

The other risk of challenge is through potential change to the corridor shown in the plan. As indicated to Ofgem and ESO through previous discussions, indicative corridor preferences frequently change (either expanding or reducing in size) as further site work and consultation from stakeholders and communities is undertaken. On that basis, given the equal weighting afforded to environmental and community pillars through tCSNP2, a change in corridor through later maturity levels could risk challenge to the overall need case at a later date.

### Q3 - Do you agree with our proposals for the “Delivery track”?

SPT are concerned that there is conflicting messaging in the consultation around the need to develop our projects at pace, and a gap in regulatory funding between the IDF PCD of 30<sup>th</sup> June 2025 and the tCSNP2 refresh January 2026.

Several of SPT tCSNP2 project programmes currently indicate that additional funding will be required post June 2025 to ensure critical activities are progressed and do not cause unnecessary and avoidable delays to the overall delivery of the projects. The proposed IDF, under the development track of 0.5% of estimated totex, will not be sufficient to recover the costs of complicated marine surveys and will require a PCF style funding arrangement.

We recognise that the introduction of the Advanced Procurement Mechanism (APM), will go toward mitigating the need for some of the activities currently in scope of Early Construction Funding (ECF). It is however key to note that the APM has not been fully agreed and is still being discussed through the T3 workstreams. Nevertheless, ECF currently covers securing supply chain capacity, early site works that are outside the scope of pre-construction funding (PCF), and strategic land purchases. We support Ofgem’s proposed expansion of PCF detailed in the SSMD to include early site works, which will be critical to supporting timely delivery of our projects. We would welcome further engagement with Ofgem on expanding the scope of PCF, and the changes in PCF allowances that will be required to deliver that work.

However, the proposed removal of strategic land purchases, previously funded by ECF, leaves no clear route to funding, and causes significant concern. Despite Ofgem’s position in the RIIO-T3 sector specific methodology decision (SSMD) that land can be resold to recover some of the investment should a project be cancelled, this approach fails to recognise the risk associated with strategic land purchases. The value of strategically purchased land is likely to reduce should a planned project be cancelled, given that high local land values are often driven by interest from generators and battery developers. When the scale of infrastructure required is considered, and therefore the value of land purchases required to facilitate acceleration for consumers, it is not acceptable to request that TOs fund strategic land purchases without a clear route to funding.

Despite our concerns set out above, we welcome Ofgem’s position on the proposed delivery track funding arrangements and echo the importance of a UIOLI flexible pot which can be substituted across other projects in the delivery track. As the projects progress through the delivery track, we support Ofgem’s stance on providing additional funding ahead of receiving planning consents.

### Q4 - Do you agree with our proposals for the “Small / Medium Sized Project Delivery track”?

We would welcome clarity from Ofgem on its proposal to place VERE, EHRE and CVUP into the MSIP delivery track. During stage 1 MSIP submissions, Ofgem moved away from the staged approach and therefore did not assess the applications for VERE and EHRE. Currently all three of the projects have been included in the T3 price control, through the new Load Related Reopener (LRR).

Neither VERE nor EHRE will be submitted in the last MISIP reopener window of January 2025. Through previous engagement with Ofgem on a further potential later MSIP submission window. We would welcome a firm commitment from Ofgem to this regard to grant a summer 2025 MSIP submission window.

It is crucial to note that should any of the projects in the MSIP delivery track need to be accelerated to support the delivery of the Governments Clean Power ambitions or otherwise, it will be imperative that Ofgem ensure any delivery incentives adequately reflect the need for acceleration and the potential impact on project costs. As cost profiles for the majority of our projects are estimated, external factors outside of our control may lead to inflated costs. This is a point that we have engaged transparently on with Ofgem alongside providing an evidence base for these types of events. As such, potential increased costs together with the many moving parts as outlined in our response to question one may lead to changes in projects net present value.

We would welcome further clarity from Ofgem on how it intends to address projects that incur inflated costs resulting in the project costs to increase above £100m, and the appropriate regulatory funding mechanism that would apply.

#### Q5 - Do you agree with our categorisation of tCSNP2 projects?

We have engaged and shared detailed material with Ofgem on the categorisation of our projects in relation to the ESO maturity levels. We believe that our projects are more mature than what Ofgem have noted in this consultation and maintain our projects are at an ESO maturity level 2 with at least one being near the end of maturity level 2 going into 3 (CMN3). We would welcome further clarity from Ofgem on guidance for how it interprets the ESO's maturity levels in greater detail than the high-level perspective provided in the consultation. Due to the dynamic nature of our programme of works, we find that some activities which are being proposed as PCF activities, are better suited to start during the IDF stage, for example stakeholder and community engagement which helps with planning and consenting at later stages. We would welcome assurance from Ofgem to ensure the funding framework adequately reflects the scope of activities required to progress projects to the stage Ofgem expects by the PCD dates.

As highlighted above, as per the material which includes our project programmes that we have shared previously with Ofgem our CMN3 project is much further developed than ESO maturity level 1. Our CMN3 project integrates planned onshore renewable generation developments in the Scottish Borders, with wider reinforcement needs, in an economic, efficient, and co-ordinated manner. At this time there is approximately 2,500MW of contracted generation activity in the area, across multiple individual generation developments, which is co-ordinated with the CMN3 project.

Similarly, the CMN3 project is co-ordinated with and integrates planned onshore renewable generation developments in Southwest Scotland. SPT will be undertaking public consultations in September 2024 for this project alongside more detailed development works which will require PCF. We seek clarity and guidance from Ofgem on regulatory funding that will be available for SPT to continue to develop and deliver this project at pace and to alleviate any potential regulatory burdens that could delay project delivery.

We would welcome further engagement with Ofgem on our WCD4 project to discuss its interdependencies with the provisional ASTI projects AC5 and AC6. It will be important that expectations are aligned in relation to this project and that it is appropriately funded.

We support Ofgem's view and acknowledgement of the need to deliver the tCSNP2 projects at pace although we have reservations about the lack of additional funding availability should we be at a point where we are looking to accelerate activities currently only permitted through the delivery track despite the project being in the development track.

#### Q6 - Do you agree with our proposed approach for the tCSNP2 asset classification projects?

As none of SPT's projects are identified in the asset classification projects section of the consultation, we have not formulated an opinion on the appropriateness of Ofgem's approach.

#### Q7 / 8- Do you agree with our approach to identifying a project for early competition?

SPT have previously raised significant concerns in relation to the early competition policy and shortlisting processes that Ofgem have decided to implement. We reemphasise our disappointment that these concerns still are yet to be acknowledged or addressed by Ofgem. We have set out some of our concerns below and encourage Ofgem to acknowledge our concerns and fully consider the content, providing economically justified reasoning for its decisions.

##### SPT view on Ofgem's approach to first competitive tender.

We consider that the ESO and Ofgem have erred in its approach to the purported application of the "Criteria Regulations" in the Beyond 2030 Report. The Criteria Regulations set out the four criteria which projects must meet in order to be eligible for early competition. The project must:

1. be capable of addressing a network need with reasonable certainty ("**Network Need**");
2. be wholly new in respect of the transmission system and network need to which it relates ("**New**");
3. be separable i.e, clearly distinguishable from any other part of the transmission system and from any other electricity solution *and* the ownership and control of the project's electricity solution (including relevant planning consents and property rights) must be capable of being separable from the ownership of control of any other party of the transmission system and any other electricity solution ("**Separable**");
4. show through a cost-benefit analysis that non-tendered consumer impact does not outweigh the tendered consumer impact ("**Consumer Benefit**").

The Beyond 2030 Report identifies five of SPT's onshore electricity transmission projects as potentially meeting the first three criteria (Network Need, New, Separable) for early competition.

However, no explanation of the ESO's interpretation or application of the Criteria Regulations has been made available to SPT or other relevant stakeholders. We also note that the Explanatory Memorandum to the Criteria Regulations sets out that Ofgem will publish guidance on the competitive tender regime, and this will provide policy guidance, "including on questions about the application of criteria to determine whether a network project may be subject to competition."<sup>5</sup> It is not in keeping with principles of transparency or fairness for the ESO and Ofgem to seek to apply the Criteria Regulations without this guidance being made available. Doing so creates a risk of entirely inconsistent future decision making on the proper application of the Criteria Regulations. The lack of reasoning or detailed analysis is cause for significant concern given the potential impacts of the project selection decision on the transmission network, and the UK's attainment of wider Net Zero objectives.

In the absence of any explanation of the ESO's interpretation or application of the Criteria Regulations, we have the following preliminary concerns.

Our WCN2 project for example has been shortlisted despite the programme of works failing to meet the first criteria of 'New'. The WCN2 project will see existing transmission infrastructure in SPT's licence area uprated from 275kV to 400kV. The project is therefore not "wholly new" – it incorporates an element of uprating existing transmission assets - and would not be eligible based on its failure to meet this criterion.

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<sup>5</sup> [The Electricity \(Criteria for Relevant Electricity Projects\) \(Transmission\) Regulations 2024 \(legislation.gov.uk\)](#)

SPT has further concerns with respect to the application of the Separable criterion. Analysis of Separability requires proper consideration of the impact (including any future impact) of separating ownership and control of one, discrete section of the transmission network from the rest of the network. Noting the existing statutory<sup>6</sup> and licence obligations<sup>7</sup> which apply to SPT, as well as the wider energy security and de-carbonisation context, SPT co-ordinates and integrates connection solutions with other system investment drivers. The projects identified through the tCSNP2 process in SPT's licence area all have strategic importance in decarbonising GB and enhancing energy security. They also have significant interdependencies with other SPT projects which are being designed and delivered to enable contracted connections to the transmission network in central and southern Scotland. The development, design and delivery of these projects will be coordinated as per our statutory duty to ensure that the design of the transmission system is economically efficient. In terms of our tCSNP2 projects we have outlined the projects interdependencies due to varying factors such as generation connections or environmental constraints. In creating uncertainty as to the delivery body of these projects this results in putting the coordinated design and delivery of transmission projects at risk impacting our ability to discharge our statutory duty.

#### Lack of transparency in decision making process and information sharing.

Ofgem have stated that it 'will review and assess the ESO's recommendation before making a decision – if possible, Ofgem will announce the first project for competition in the decision to this consultation, however Ofgem may consider a further consultation ahead of making its decision'.<sup>8</sup> It is our view that it is imperative for Ofgem to consult on the final project selected for early competition before a decision is made. It will provide the basis for stakeholder engagement and to ensure that the various concerns raised in this response have been addressed.

Further, our concerns are exacerbated when we consider the potential impact Governments CP2030 and the impact it could have on the need to accelerate certain projects, particularly those shortlisted in the consultation. This lack of certainty will only perpetuate a lack of investor confidence in the competitive process and therefore have potentially significant impacts on TO businesses. We require urgent clarity from Ofgem on the projects being required for acceleration and to exempt them from further consideration in the competitive process before a project is selected for the first tender at the end of the year.

In response to the ESO CBA methodology consultation in 2022 and subsequent consultations on the CBA, we raised the need to use the TO's costs for delivery as a counterfactual for the purposes of assessing bids and overall consumer value. Ofgem maintained that this would not be the case. Our concern is that if Ofgem are not using the TO's costs as a counterfactual, then it is not assessing whether the competitive tender is delivering the best possible consumer value. This issue becomes even more apparent where the TO decides not to bid into a tender, in which case we remain unclear on how the information we have already provided to Ofgem in relation to our tCSNP2 projects will be used in the competitive process. Due to the lack of transparency from Ofgem and the ESO on how this information is being used, we are not able to hold Ofgem or the ESO to account when determining whether the CBA and all other outputs have assessed the correct information. As such, we encourage Ofgem to share how it intends to use the information we have already provided, in the competitive process and to clarify whether any of this information would be used as a counterfactual when assessing bids and if so then we maintain the need to ensure the information we feed into this can be updated by the TOs where necessary. Where the information will not be used as a counterfactual, we strongly encourage Ofgem to detail the rationale for assessing consumer value without the costs of incumbent delivery factoring into the overall CBA.

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<sup>6</sup> S.9(2) Electricity Act 1989: TO duty "to develop and maintain an efficient, co-ordinated and economical system of electricity transmission".

<sup>7</sup> e.g., Standard Licence Condition (SLC) D3: Transmission System security standard and quality of service

<sup>8</sup> Para 6.16 of the [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](#) ([ofgem.gov.uk](https://www.ofgem.gov.uk))

In relation to the CBA assessments for the shortlisted projects, we are concerned that this has not been shared with the TOs, particularly as it is of critical importance. Our concerns are based on the ESO applying the draft CBA methodology which Ofgem had not, at the time, published its decision on and which does not take into account any of the significant concerns we previously raised about the CBA methodology.

### Shortlisted Projects.

**HGNC – This project will strengthen and provide further resilience between the existing ‘eastwest’ Strathaven-Torness corridor and the primary east coast B6 corridors contributing to energy security.** This is of particular importance given the integral role that the need to secure the system for a fault outage on the Strathaven – Harker (ZV) route, where the new circuit improves utilisation of the existing Eccles – Stella West (ZA) route and the proposed new Gala North – Carlisle Area route (CMN3), improving the utilisation of the new CMN3 infrastructure. This new 400kV OHL project will attract significant interest from stakeholders and communities. **There are multiple routing challenges associated with this new line which may require mitigation** such as technology choices. This includes the route between/around the Pentland hills and established settlements to the north and east, such as Penicuik. **There are also several areas of highest amenity**, including Historic Gardens and Designed Landscapes, Special Areas of Conservation etc. **HGNC is coordinated and complimentary of NHNC and CMN3 which will see interdependencies having to be managed carefully and efficiently.**

**NHNC – This project consists of a new 400kV double circuit between New Deer 2 (Greens) and Harburn. It is of importance in the context of decarbonisation and net zero delivery as it has significant interdependencies with the connection of vast renewable onshore and offshore generation** from the northeast of Scotland and will provide an additional high-capacity exit route from the northeast towards the Main Integrated Transmission System (MITS) in the central belt. The project also integrates with the coordinated and complimentary B6 reinforcement of CMN3 and WCN2. Harburn substation, part of NHNC for tCSNP2 analysis purposes, is being progressed towards earlier completion to facilitate contracted customer connections.

**CMN3 – This project will see the installation of a new 400kV double circuit connection: Gala North – Teviot – Carlisle Area. It is critical to connection of onshore generation with approximately 2,500MW contracted generation currently in the area, across multiple individual generation developments.** This project will consist of at least one new collector substation (at Teviot) to support this generation activity and connects into a new substation south of the B6 boundary. **There are significant interdependencies and careful coordination is required between CMN3 and WCN2 to co-locate new OHL routes across B6 to ensure environmental restrictions are carefully considered and acknowledged, including Hadrian’s Wall World Heritage Site.**

**WCN2 – This project consists of a new 400kV double circuit: Kilmarnock South – New Cumnock - Glenmuckloch – Carlisle Area via new collector substations in Dumfries & Galloway. The project will also see the existing 275kV routes XY/WA uprated to 400kV** and establishes new substations at Killoch and New Cumnock, helping to minimise new 400kV OHL build. **There is significant onshore generation connection activity relating to this project, alongside the need for careful coordination with CMN3 to co-locate new OHL routes across the B6 boundary to ensure environmental restrictions are carefully considered and acknowledged, including Hadrian’s Wall World Heritage Site.**

Factoring in detail on our projects and the level of interdependencies, we are supportive of Ofgem’s position in the consultation for ‘the ESO to ensure that isolating a project from those it is linked with does not cause any design or consenting issues that could result in the project being delayed.’<sup>9</sup> Should

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<sup>9</sup> Para 6.19 of the [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](https://www.ofgem.gov.uk/consultation-transmission-network/centralised-strategic-network-plan-2-projects) ([ofgem.gov.uk](https://www.ofgem.gov.uk))

any of our projects be put out to competitive tender, there is a significant risk that the overall project delivery could be delayed, particularly where there are interdependencies between the projects. We encourage Ofgem to determine that where there are potential delays to the delivery of other projects, any project identified in the shortlisting should be exempted from consideration in the competitive tender. We would also welcome clarity from Ofgem and the ESO on the scope of the additional project studies referred to in the consultation and what the ESO will need to assess as part of those studies.

It is unclear from the consultation and further workshops what the implications will be for TOs being able to issue connection offers on the section of network that has been selected for competitive tendering. We require urgent direction from Ofgem on the impact the competitive process will have in being able to issue connection offers from both a TO and Competitively Appointed Transmission Owner (CATO) perspective.

We agree with Ofgem's position that the ESO should 'continue to engage with the TOs and the wider market, including generators, to understand the impact of any customer connections on the scope of a first tender as well as ensuring any change to delivery dates as a result of running a competition can be managed from a whole system perspective, acknowledging interdependencies between certain projects.'<sup>10</sup> It is imperative that engagement with the ESO from both TOs and generators has a meaningful output. We have raised some of these concerns throughout consultation responses, workshops, and bilateral discussions, yet there appears to have been no consideration for the concerns we and the other TOs have raised. As such, we encourage Ofgem to ensure that our views and concerns are carefully considered in the development of the competitive process.

We are also supportive of Ofgem's position that the ESO's assessment should consider 'current supply chain constraints and whether a third-party is able to secure supply chains for long-lead time assets and ensure projects are delivered on time in a way that a TO will be able to through the advanced procurement mechanism.'<sup>11</sup> This is a crucial point to factor into the CBA methodology and where it is determined that incumbent delivery is the best driver of net consumer value, based on TO costs being used as a counterfactual, then those projects should be exempted from further consideration for competition as soon as possible.

In terms of the NHNC project, Ofgem acknowledges that the needs case will need to be reassessed during the tCSNP2 refresh in 2026.<sup>12</sup> Considering Ofgem's position and response to the ESO, it is evident that NHNC is not suitable for consideration in the competitive process and should be removed from the shortlist.

As stated in our response to question one, the Mission for Clean Energy 2030 is described as having a "relentless focus on accelerating the transition away from volatile fossil fuel markets to clean, homegrown power." It is also intended to "clear the way for energy projects" and "speed up the connection of new power infrastructure to the grid." Using the early competition model to deliver critical net zero infrastructure will delay the delivery of these schemes by up to three years, as detailed in the ESO's Early Competition Plan, and is not consistent with the ambition set out by the new Government. We would welcome clarity from Ofgem on the potential changes to the competitive process following the publication of the Governments CP2030 plan. In particular, we need clarity on what reprioritisation efforts are going to be implemented should a project be identified as critical for delivery by 2030 and in need of acceleration. It is unclear whether Ofgem's decision making criteria is factoring this in, echoing the importance of transparency for TOs to assess the appropriateness of the decision making criteria.

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<sup>10</sup> Para 6.20 of the [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](https://www.ofgem.gov.uk/consult/condocs/centralised-strategic-network-plan-2/centralised-strategic-network-plan-2-consultation.pdf) ([ofgem.gov.uk](https://www.ofgem.gov.uk))

<sup>11</sup> Para 6.20 of the [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](https://www.ofgem.gov.uk/consult/condocs/centralised-strategic-network-plan-2/centralised-strategic-network-plan-2-consultation.pdf) ([ofgem.gov.uk](https://www.ofgem.gov.uk))

<sup>12</sup> Para 6.21 of the [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](https://www.ofgem.gov.uk/consult/condocs/centralised-strategic-network-plan-2/centralised-strategic-network-plan-2-consultation.pdf) ([ofgem.gov.uk](https://www.ofgem.gov.uk))



### SPT's view on the Prioritisation Factors.

We have some serious concerns with ESO's prioritisation factors that are being used to shortlist projects for the first competitive tender. As we have raised on several occasions, we believe the ESO's CBA methodology is fundamentally flawed as it does not factor in material considerations to accurately reflect the economic benefit from competition. In terms of the certainty of interface points, separability, and initial programme concerns, we have not received any information from the ESO to feed into the process and to ensure that the information and all other material concerns are being factored into the prioritisation factors accurately. Ultimately, any shortlisted project identified using the proposed prioritisation factors are flawed, particularly as they will not have assessed all the concerns that the TO would have been best placed to feed into.

We have set out below some material concerns which we believe need to be considered as part of the shortlisting assessment process and are key components for the ESO to consider as part of the prioritisation factors. We would welcome further engagement with Ofgem and the ESO on how these factors are being used to assess projects and would also welcome details on the weighting of each priority factor.

### Planning & Consenting Concerns.

We are concerned with the lack of consideration given to the planning and consenting challenges that TOs face when delivering projects. We have close working relationships with the key stakeholders directly involved in energy and planning consents decision making within our network area. Such relationships are critical to the well-established approach to transmission project development, including routeing, siting, community and landowner engagement and Environmental Impact Assessment (EIA) and design for projects. The development process for linear grid infrastructure is entirely unique and distinct from any other type of development, including other linear development such as road and rail, and we have built an approach, alongside our key stakeholders, over the last four decades which has successfully delivered every proposed transmission development required in our network area<sup>13</sup>.

Just one example of the complexity of the challenges which we are aware we will face in the project development for tCSNP2 recommended projects relates to NHNC. Given the location of existing transmission infrastructure in and around the Kincardine and Longannet area, the NHNC scheme from New Deer to Harburn may need to cross the Forth tidal estuary downstream from these areas and at a point where an overhead solution is not feasible. This will require inputs from multiple statutory and community stakeholders to balance complex routeing considerations, including landscape and visual, environmental (crossing the Inner Forth Special Protection Area, SPA), hydrological and technical (submerging cables in a tidal estuary and consideration of interactions with existing electricity grid and high-pressure gas pipelines). It will therefore be essential for a developer of the proposals to successfully bring together relevant stakeholders, including communities and landowners, with an interest in these individual, often competing considerations, to ensure that feasible options for transition points from overhead line to cable, land to shore and vice versa, are brought forward for appraisal. Critical to this will be ensuring that route options to and from these transition points are identified, assessed, and consulted upon in an effective manner, understanding the unique characteristics of transmission overhead line tower development (developing proposals from strategic corridors to routes to detailed alignment and siting of individual towers, cable sealing ends etc) and how these routes and sites will impact the landscape and environment around them, noting the existence of multiple other electricity transmission infrastructure developments in the same geographical area. This is essential to ensuring that emerging proposals are taken forward in the right place and in the right way. This will also require a developer with a detailed knowledge and understanding of running multiple consent applications for an individual project under one distinct

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<sup>13</sup> [https://www.spenergynetworks.co.uk/userfiles/file/SPEN\\_Approach\\_to\\_Routeing.pdf](https://www.spenergynetworks.co.uk/userfiles/file/SPEN_Approach_to_Routeing.pdf)



EIA, given such a proposal will require applications under Section 37 of the Electricity Act 1989 for the overhead line and separate Marine Licence to cover placement of submerged cables in the tidal estuary.

Furthermore, SPT, alongside SSEN Transmission, is part of the Scottish Ministers Short Life Working Group (SLWG) for electricity grid infrastructure which has brought forward suggested outputs to streamline the existing energy consents process, now approved by the Energy and Environment Minister (September 2023), for those aspects which are not reserved to UK Ministers. This includes matters such as streamlining the EIA reporting process and investment in local planning authority resource to ensure the necessary technical expertise is available to assist in responding to pre-application consultation and determining complex electricity grid infrastructure applications in a timely manner. We are now actively involved in delivering these outputs to help streamline and reduce the determination period for these applications to 12 months, per the recommendations in the Electricity Networks Commissioner, Nick Winser's, report, and subsequent commitments set out in the UK Government's Transmission Acceleration Action Plan (TAAP), published in November 2023. Given our experience of planning and consenting matters specific to electricity grid infrastructure, and our integration with key stakeholders, large land holdings, such as the National Forest Estate (NFE), and communities, we remain the most appropriate delivery body for these projects. We strongly believe that there is a significant risk that the ESO and Ofgem have overlooked the value SPT bring in delivering our projects based on our engagement with local communities and stakeholders, and the critical role we play in agreeing the best possible outcomes for those impacted by our assets within our network area.

We encourage the ESO and Ofgem to fully consider within the consumer benefit analysis and the overall impact from the loss of economies of scale in respect of the planning and consenting process and the adverse impact local communities and stakeholders will face should the incumbent TO not be appointed as the delivery body for any of the tCSNP2 projects.

#### **Connection Interdependencies could hinder Net Zero and Energy Security.**

Each of the projects which have been identified in SPT's licence area have significant interdependencies with other SPT projects which are being designed and delivered to enable contracted connections to the transmission network in central and southern Scotland.

Noting these interdependencies, Section 3.3.3 of the ESOs Early Competition Plan<sup>14</sup>, states that 'Enabling works are the part of a connection project that are required for a customer to connect to the network. They are not usually included within the NOA process. These projects will be dependent upon the customer connection proceeding, which can be uncertain, and there would need to be enough time to run a competition without delaying the customer's connection date.' We do not believe guidance in this area has changed. We strongly believe that putting any SPT projects which have been identified out to competition would result in inefficiently meeting customer connection dates and create significant delay in connecting clean renewable generation required for net zero and energy security.

It is imperative that consideration is given to the dynamic nature and forecasted increase of connections over the coming years. Given the significant time that will be allocated to the competitive tender process, c.3 years, it is highly likely that any projects selected as eligible for competition at this time will result in connection related activity at one point or another in the near future. Despite raising this on several occasions to establish what process the ESO will have in place to manage this, and ensure the continued development of an economic, efficient, and co-ordinated transmission system, the ESO and Ofgem have been unable to provide an answer. The potential negative impact on

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<sup>14</sup> [National Grid ESO Early Competition Plan 2021](#)

developers and other connection applicants, must be properly accounted for in any methodology and decision on Consumer Benefit.

#### Potential Delays to Net Zero critical projects.

As outlined above, each of the identified SPT projects have a strategic importance and are required to decarbonise GB and enhance energy security. While our primary position remains that these projects should therefore be exempt from the new onshore competition regime, at the very least, proper account should be taken of their critical nature for the purposes of the cost-benefit analysis (given the inevitable additional delays introduced through the introduction of the tendering process).

The ESO is aware that the project programmes that TOs have provided as part of the tCSNP2, reflect the best-case delivery scenario possible. We would like to highlight that both the ESO and Ofgem have not duly considered the potential impact if a project is selected for competition and the effects that would have on timely delivery.

Currently the TOs across GB are held to account through a tried, tested, and robust regulation underpinned by licence and statutory obligations. Currently we do not see there being the appropriate strength of incentive for CATOs to deliver these projects with the same pace as the incumbent TOs. This ultimately could see a significant risk to late delivery undermining the benefits delivered by other tCSNP2 projects and impacting the national effort to decarbonise society, reach net zero and strengthen energy security.

We have significant concerns that the competition process risks severely delaying the deliverability of our tCSNP2 projects by at least 27 months, as per the latest amended timescale the ESO suggested on the 8th of April 2024. Consideration of this key risk to consumers must be properly reflected in the CBA methodology.

We seek urgent clarity from Ofgem, in the event of an SPT project being selected for competitive tender and SPT being instructed to stop all development works, on how Ofgem will mitigate the risk of delay, inefficiencies and increased costs in particular in reference to our current statutory and licence obligations to develop and maintain an efficient, co-ordinated and economical system of electricity transmission.

#### Competition in T3 Business Plan.

We are concerned with Ofgem's positioning in the SSMD which creates an obligation on TOs to identify projects that meet the eligibility criteria for competition. As the tCSNP2 shortlisting criteria already creates a pipeline of projects for competition, the inclusion of such an obligation on TOs will erode investor confidence in a TO's programme of works. Ofgem's ambition is for the first project to be put out to competitive tender to be decided by the end of 2024, with the first competitive tender taking place well into the T3 price control. As such we suggest that Ofgem focuses on the current pipeline of projects being considered for competition and ensures that the competitive process accurately reflects consumer value by considering all of the fundamental inputs, one of which is the TO costs as a counterfactual. Creating a wider pipeline of projects at this premature stage in the competitive process will only erode investor confidence. The focus should be on getting competition right from the outset, and from the current status of the process there are significant changes still required to ensure the greatest consumer value from the process.

#### **Q9 - Do you agree with our expectations for the TOs and ESO?**

We broadly agree with Ofgem's expectations for the TOs and ESO however we would like to draw Ofgem's attention to the following.

The ESO's NOA methodology defines an EISD simply, as "*the earliest year an option can be delivered and be operational.*" EISDs provided by SPT into all iterations of the annual NOA process have therefore

been, by their nature, the very earliest a project could be delivered. Our estimates are submitted on a project-by-project basis and are informed by a series of assumptions. Estimates are prepared on the basis every constituent component of the project's delivery programme takes the shortest time possible to deliver. These dates therefore represent aspirational or theoretical delivery dates, rather than realistic target dates.

The EISDs have also not had any significant deliverability assessment completed, given that this is not a feature of the NOA methodology. Relatedly, it is also important to recognise that the NOA process considers EISDs on an individual project-by-project basis. For example, two projects may each have an EISD in the same year, however due to their competing system access requirements, it may not be possible to deliver both projects in that year. This complexity was not accounted for in either the HND or NOA7 Refresh, however, it is exacerbated due to the significant programme of works identified as required. The NOA process also does not take account of the requirement for wider system boundary reinforcing projects to be integrated with non-load and new connections related activities in a co-ordinated and efficient manner aligned with a TO's Statutory and Licence Obligations.

We did not expect that the EISDs would be used beyond the NOA. We certainly had no expectation that they would be used to set obligations to hold the TOs to delivery.

In terms of Ofgem's expectations around TOs working together to produce an agreed approach for the tCSNP2 Refresh Methodology in determining reasonable and expedited delivery dates ahead of submitting options for the tCSNP2 refresh, we must stress the complex nature and cost implications of producing a quantitative schedule risk analysis (QSRA). Ordinarily this would be undertaken at the project assessment stage as it is not possible to produce a reliable probability analysis at this early of a stage. It is unreasonable for Ofgem to expect the TOs to be held to such outputs from a process that would not be deliverable during the initial development stages of a project.

#### **Q10 - Do you agree with our proposals to introduce a scope change governance process for onshore transmission projects?**

We appreciate that the level of maturity for the tCSNP2 projects results in a higher risk that there will need to be scope changes as the projects develop and route selections become firmer although it should be noted that the detailed design process would occur beyond development track. We would welcome clarity from Ofgem on the timescales associated with the scope change process and would draw Ofgem's attention to ensuring the projects are not delayed due to waiting for a decision on the process. We do not agree with the use of submission windows for the scope change process and would urge Ofgem to consider a more pragmatic approach considering the urgent need for a decision from Ofgem so as not to unnecessarily delay any of the projects.

The consultation is not clear on what the thresholds are for the scope change criteria that the ESO will assess in the Impact Assessment (IA). We would welcome clarity from Ofgem on whether each of the factors detailed in para 8.10 of the consultation will need to be satisfied in order to justify a scope change or if these are joint and severally applicable. The relationship between the TO impact assessments undertaken to submit a material scope change and the further IAs intended to be undertaken by the ESO should be considered. If the material scope change is more than environmental constraints, then the impact assessment undertaken by the TOs should also be considered by the ESO. This will increase efficiency and avoid duplication of work and effort.