

Email to: RIIOElectricityTransmission@ofgem.gov.uk
30 August 2024

Response to proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects consultation.

Dear Jon Sharvill,

EDF is the largest low carbon energy generator, as well as the only nuclear generator in the UK. EDF operates low carbon nuclear power stations and has a large and growing portfolio of renewables, including onshore and offshore wind, solar and energy storage. EDF has a large customer base and will be integral to Britain achieving net zero with a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome the opportunity to respond to this consultation on the funding and approval framework for the transitional Centralised Strategic Network Plan (tCSNP). Our response is set out in the attachment with this letter.

Overall, we agree with the proposals in this consultation to support initial funding across a wide range of projects to facilitate their future development. Grid development is a key enabler of decarbonising the electricity system and enabling clean electricity growth to support the country's Net Zero commitment.

We agree with Ofgem that, in addition to low project maturity, there is material uncertainty in market reforms which could impact need and timing of network investments. We note Ofgem highlight zonal pricing being considered under the Government's Review of Electricity Market Arrangements (REMA) but also important is that current and expected changes to Transmission charges (TNUoS) under an Enhanced National Market are also considered. These are both options being considered under REMA which could affect the need and timing of grid development. The effect of these locational signals on expected deployment of low carbon generation projects should be assessed in detail before significant funds are provided to the tCSNP projects.

Finally, it will be helpful if Ofgem is able to set out a timeline of the stages to support funding for tCSNP and how this interacts with these reforms and also the Strategic Spatial Energy Plan.

We look forward to continuing to work with Ofgem in the post-consultation stages.

Yours sincerely,



Mark Cox
Head of Nuclear and Wholesale Market Policy

Question 1: Do you agree with our assessment of the tCSNP2 and the risks that we have identified?

[Broadly agree]

EDF largely agrees with Ofgem's assessment of the tCSNP2 and associated risks identified. The government's recent announcements, particularly regarding onshore wind in England, could indeed alter some outcomes, but it will take time for these projects to develop enough to be factored into the analysis. This might require incorporating economic assumptions to gauge their potential scale and impact on other generation types, particularly offshore wind.

EDF support the idea of providing initial development funding, provided that both the TOs and Ofgem are clear on the required outputs. We would suggest looking at alignment with best practices from other infrastructure sectors, such as the IPA cost estimating guidance.¹

Further scrutiny of the EISDs provided by Transmission Operators (TOs) is crucial, as there is some concern that their estimates might be conservative due to the new delivery incentives. At the same time, it's important to acknowledge that certain delays may be outside of TO direct control, such as delays due to planning issues and legal challenges. It would be beneficial to review aggregate data on such delays over the past decade and challenge TO programme assumptions about both the opportunities and risks. We support the proposals in Chapter 7 for TOs to develop a more transparent approach to determining delivery dates.

Ofgem's current focus appears to be heavily on the upfront costs of individual projects and savings from competition, which might overlook the broader system-wide risks and potential impacts on consumers, such as from delays.

Question 2: Do you agree with our proposals for the "Development track"?

[Broadly agree]

EDF broadly agrees with proposals for the development track, with some further considerations that we recommend are taken into account.

It's crucial to ensure that the projects taken together are deliverable by the supply chain. For example, if there are five or six discrete HVDC projects, the overall assessment of EISDs, costs, and other factors should account for any potential supply chain constraints or limitations on TO capacity.

Question 3: Do you agree with our proposals for the "Delivery track"?

[Generally supportive]

¹ <https://www.gov.uk/government/publications/cost-estimating-guidance>

EDF generally supports the proposals. EDF agrees that it is sensible to rationalise the approach across the whole of the price control on advanced procurement.

Question 4: Do you agree with our proposals for the “Small/Medium Sized Project Delivery Track”?

[Agree]

EDF agrees with proposals for the "Small/Medium Sized Project Delivery track." It is sensible to rationalise the frameworks, ensuring a more streamlined and efficient process.

It's also important to continue monitoring the ASTI process to ensure it is functioning as intended.

However, there should be clarity provided over what is meant by "acceleration" in this context. With ASTI becoming the standard, it's unclear what further acceleration beyond this would involve. Understanding this would help in assessing the feasibility and potential impact of the proposed measures.

Question 5: Do you agree with our categorisation of tCSNP2 projects?

EDF lacks the sufficient information to scrutinise the underlying maturity of the projects.

Question 6: Do you agree with our proposed approach for the tCSNP2 asset classification projects?

As above.

Question 7: Do you agree with our approach to identifying a project for early competition?

Question 8: Do you agree with our approach to identifying a first project for early competition?

[Comments]

EDF broadly agrees with the proposed approach to identifying a first project for early competition, but there are a few points that need further consideration.

While the focus on preventing consumer detriment is important, it's also essential to recognise that existing and connecting generators could face commercial disadvantages due to impacts from the tendering process and the appointment of new parties to build and operate parts of the transmission network. This could occur directly or where it impacts their ability to secure full grid

access. There should also be explicit consideration given to risks of delay; if a project is late it is unclear what the consequence would be.

Acknowledging these potential challenges would provide a more balanced view to any assessment. Ofgem should explore providing additional commercial protections for generators exposed to the first few early competition tenders and new delivery parties.

Question 9: Do you agree with our expectations for the TOs and ESO

[Agree]

EDF broadly agrees however, the timing of the iterations could be of some concern. 2026 for the refresh is very close to the publication of the first full CSNP. It would also be good to understand whether the time to the refresh assumes reworking of the original proposals. Additional clarity around these timelines would help provide more certainty.

Question 10: Do you agree with our proposals to introduce a scope change governance process for onshore transmission projects?

[Broadly agree]

EDF agrees with the proposal to introduce a scope change governance process for onshore transmission projects, but there are several key considerations to keep in mind.

Any Impact Assessment (IA) from the ESO or any other body should clearly demonstrate significant net benefits to justify a scope change. Altering the scope mid-flight of a large infrastructure project is a major driver of cost increases and delays. Cost increases due to scope change (outside of actual TO delivery performance) would be borne by all industry through network charges, not the TO itself, and therefore represents an asymmetric risk to industry.

However, once need for change is established it is important that the change process is not overly burdensome. There should be a clear, straightforward, and proportionate mechanism that allows for necessary project changes without creating excessive administrative process. At the same time, we expect the gated processes already in place should minimise the likelihood of needing extensive scope changes.

Additionally, scope changes should not be used by Transmission Operators (TOs) as a way to avoid or mitigate the consequences of overspending under the Totex Incentive Mechanism (TIM). It's important that TOs remain accountable for their financial and operational performance.

Lastly, we note the request for the ESO to provide further impact assessments. Ofgem may need to provide more detailed explanations regarding how resources will be managed, whether through a rolling approach or a window approach, to ensure transparency and efficiency in the process.