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Ofgem
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30 August 2024

Dear Jon,

Subject: Shell response to Ofgem’s consultation on the Proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects

Shell welcomes 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.

We are broadly supportive of your proposals and think that they strike an appropriate balance considering the risks and uncertainties you are considering. However, we view that your proposals do not consider one key risk, which is the impact on connecting projects. Many of the onshore tCSNP2 projects will be enabling works for connecting projects. It is essential that these projects have their connection dates protected in the tCSNP2 refresh otherwise there is a risk that developers will not be able to invest as there is no certainty or clarity over their connection dates.

We have provided our views on your questions below.

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

We agree that you've identified some of the key risks in your thinking and are generally taking a positive approach to handling them. However, we view that you have missed one key risk, and that is the risk on connecting projects, both generation and demand. Some, if not many, of the transmission projects in tCSNP2 will be enabling works for connecting projects. This means that the connecting projects are reliant on the transmission projects to be approved. Their connection dates will also be dependent on the transmission projects and likely based off their Earliest In Service Dates (EISDs).

We view it is essential that your proposals state that connecting projects will have their connection dates protected by any decisions made in the tCSNP2 refresh. Without this protection any connecting project with enabling works within tCSNP2 is exposed to the risk of their grid connection being delayed through the tCSNP2 refresh and may not be willing to invest or develop until they have this certainty. This could be done through ring fencing or automatically approving any projects that are Enabling Works, or ensuring that any tCSNP2 refresh changes can not delay the connection dates of connecting projects.

While this may seem unusual or different to historical practice, historically many large transmission projects were not enabling works. We think this is a necessary and appropriate step to ensure that connecting projects can continue to develop, invest and not face unnecessary regulatory risks.

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

We view that these proposals are sensible, subject to the concerns and suggestions we have made in our answer to question 1 on protecting connection dates. We do not have any views on whether the level of funding is appropriate. We also view a shared pot is appropriate as long as you have confidence that the TOs can meet their price control deliverables for all of the projects.

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

We have no current views on this question.

4. Do you agree with our proposals for the "Small / Medium Sized Project Delivery track"?

We have no current views on this question.

5. Do you agree with our categorisation of tCSNP2 projects?

We agree with your categorisation. We would like to comment that the links AC7, AC8, and AC9, which were raised by the ESO, should still be treated equally to the other projects. It would also be beneficial to see EISDs for these projects as soon as possible.

Further, we would like to reiterate our view that asset categorisation can be arbitrary while materially impacting transmission and connecting projects. We see this in the Ossian-Campion interlink, part of tCSNP2, which is a non-radial OFTO, and there is a reluctance to develop the transmission project due to its classification and regulatory framework.

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

We view this is reasonable however we have some additional considerations:

- If the Detailed Network Design materially changes the design and affects the host TO how will this be treated? We view Ofgem's process needs to consider and address any potential changes.
- The design of any onshore TO projects must consider how it interfaces with both non-radial OFTO and developer projects, where they exist. We are especially concerned on the wet onshore hub/substation near CampionWind which will connect AC8, AC9, the non-radial offshore interlink between CampionWind and Ossian Wind, as well as connect to CampionWind itself.

We recommend these considerations are included in your policy development, and that they may be dealt with through the Price Control Deliverables.

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

We have no current views on this question.

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

We have no current views on this question.

9. Do you agree with our expectations for the TOs and ESO?

We would like to reiterate the point we made in our response to question 6 that is essential that any outputs and design consider that the tCSNP2 projects will interact with other transmission projects, often progressing through other regulatory frameworks.

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

In principle we view that this is reasonable. We view that our suggestions on protecting connection dates should be included as part of this process.

If you have any questions on our response, please feel free to contact me at Aled.Moses@shell.com.

Yours sincerely,

Aled Moses
Regulatory Affairs Advisor, UK Renewable Generation