

Ofgem Call for Evidence on the Electricity Transmission Business Plans for RIIO-T3

About Burns & McDonnell

Burns & McDonnell are pleased to provide this response to the RIIO-T3 Business Plan submissions made to Ofgem in December 2024. Working from more than 75 offices around the world, Burns & McDonnell designs and builds critical infrastructure and is a supply chain partner to several of the Electricity Transmission companies in the UK. Our family of companies, driven by engineers, construction professionals, architects, planners, technologists and scientists, delivers projects grounded in safety and a desire to make a difference and to make our clients successful.

Operating in the U.S. since 1898, Burns & McDonnell opened its first European office in Birmingham in 2017. Since then, the U.K. team has grown rapidly, to more than 200 people. The Burns & McDonnell practice in the U.K. started with the delivery of electrical transmission, distribution, and mission critical market sectors, and is continually looking to expand its project delivery offerings to include other markets across the Burns & McDonnell portfolio.

Burns & McDonnell is a supply chain partner to National Grid Electricity Transmission (NGET) & SSEN Transmission delivering the Engineering, Procurement & Construction (EPC) of substation infrastructure required to facilitate the connection of renewable generation at the scale and pace required to meet the UK's net zero targets.

Our Support for the Submitted Plans

Burns & McDonnell supports the submitted business plans for the RIIO T3 regulatory period, in particular recognising the need for the unprecedented level of investment by Transmission Network Operators (TNOs) over the five years to March 2031.

It's encouraging to see the alignment with the National Energy System Operator's (NESO) Future Energy Scenario 2024 Holistic Transition pathway, in particular adopting a whole systems, multi vector approach for the network of the future cultivating in both regional and national priorities.

The optionality in the plans means they can be adapted to the UK government's Clean Power 2030 plan. Whilst the specific investments required will be clarified through NESO's connection reform process in 2025, these RIIO-T3 plans further underpin and are consistent with the TNOs investment plans for the next five years to March 2031

A Requirement for Unprecedented Levels of Investment

Burns & McDonnell supports the pillars of the plans, namely reliable supply of electricity which requires investment in the existing network; clean power, requiring investment in new networks and leaving a legacy, ensuring sufficient funding for delivering this investment in the right way, funding training of new people and investment in adjacent infrastructure such as housing for now and the future.

We support the need for Ofgem to underwrite cost uncertainty in construction. We have seen a lot of changes in global markets as an international business, with equipment availability and cost becoming an increasing challenge, followed by labour and subcontractor costs. We welcome a flexible approach to setting funding allowances and protection from cost volatility. We ourselves are now unable to take on the risk of price inflation using standard indices and often find equipment costs changing with minimal notice due to the impact of geopolitical issues. We have increasingly become adverse to offering fixed price offers for EPC projects to our UK clients given the cost uncertainty in the market. Instead we are requiring more open book cost reimbursable contracts where cost transparency is provided to substantiate our costs, which in turn requires our clients to have flexibility to accept these more flexible arrangements.

We support uncertainty mechanisms for those infrastructure projects that are not yet fully developed and may vary in timing of delivery and required scope of works, welcoming Ofgem's approval through its Accelerated Strategic Transmission Investment (ASTI) framework and Large Offshore Transmission Investment (LOTI) Uncertainty Mechanisms. As a supply chain partner, it's important we have confidence in projects proceeding so we can invest with confidence knowing that when costs vary outside of our control we will be compensated.

Reflecting on the RIIO T2 regulatory regime, it is important to acknowledge that one of the reasons the TNOs have met their T2 goals is due to confidence in investment which flowed down to the supply chain and other key sector stakeholders. This enabled us for example to expand our footprint in the UK to invest in a new office in Scotland, recruiting over 40 people to serve the UK transmission market. Without our clients having confidence in funded investment, this confidence can't flow down into their supply chain to invest in our capability and capacity to deliver the programme of work that underpins Clean Power 2030.

Project Certainty

As a business we can afford to be selective in the projects we undertake and where we invest our resources. On the back of the current investment programmes, we have recently decided to add more strategic resources to the UK business, to oversee & coordinate our growth in the sector. Such investment is only feasible with underpinning government support for investment in infrastructure for the long-term.

Burns & McDonnell is also investing in downstream supplier relationship management (SRM) processes to engage civil, mechanical and equipment manufacturers. We hold quarterly briefings and an annual supplier day where we invite the TNO's to present their investment plans. Without our clients having certainty of project pipeline we cannot pass this down to our supply chain partners who are often the ones making investments in front line skills and equipment to execute projects. To give confidence to them we need to have confidence from our clients which in turn comes from them having agreed investment plans from Ofgem.

Managing projects at a portfolio level allows us to address resource utilisation and thus realise efficiencies which ultimately benefit consumers. Having the ability to bring projects forward when we are already working in an area and have established relationships with suppliers and the community adds to the overall efficiency of delivery and the lasting legacy upon completion.

Driving Economic Growth

We support NGET's need to grow its workforce by c.50% and improve diversity to better reflect the communities where it works and the commitments within the plan to deliver highly skilled, well-paid jobs with more than 1,100 trainees, apprentices and graduates onboarded by 2031. Driving social value within the communities in which we work is a fundamental pillar of Burns & McDonnell's sustainability strategy. We fully support NGET's Social Impact programme, Grid for Good, a demonstrable 10-year commitment to develop skills for the future of 45,000 people in our communities. Given the scale and pace of NGET's Major infrastructure programmes, whilst fulfilment of the early careers and young talent pipeline is paramount to enabling "new" capacity within the market, this will not suffice alone. Tackling the skills gap agenda, through skills development and cross sector training throughout the supply chain within the communities we work will leave a lasting economic legacy.

SSEN Transmission's plan represents one of the largest ever private investment programmes in Scotland and will act as a major driver of green jobs and economic growth across the country. This investment could support 37,000 jobs across the UK and help support 1,000 new homes in the north of Scotland.

This impact goes a long way to mitigate the regular critique of the UK's climate policy centring around the potential job losses associated with closing down the oil and gas industry in the North Sea. Instead this presents a focal point in the push to establish a green workforce in Scotland.

Innovation & Digital Technologies

Burns & McDonnell supports the commitments by the TNO's to work towards a digitally enabled future. For the scale of works required to be delivered throughout the T3 regulatory period and beyond, the approach to project execution can only but change through embracing digital technologies such as digital twin, AI and data sharing infrastructure in optimising workforce efficiencies and the safety of the environments in which we work.

For innovative solutions to be deployed successfully, there needs to be an acknowledgement that current ways of working require change such as the specifications and standards which govern our ability to engineer solutions of the future, for example embedding the ability for replicable standardisation of design, deploying modern methods of construction and adopting modular construction techniques that will speed up connections and lower overall costs to consumers.

Supply Chain

Strategic supply chain partnerships are essential to the successful delivery of these T3 plans. Endorsement of this provides confidence for the supply chain to gear up for the longer-term investment in UK transmission over the next 25 years. For example, SSEN's collaborative SRM process provides us with insight and confidence to invest in our resources for the long term.

Success will only come when relationships between all the TNOs and supply chain are truly collaborative, changing an inherit transactional contracting approach requires significant effort to change the culture. The enactment of these business plans are heavily weighted on dependencies of the supply chain to deliver.

We welcome both NGET & SSEN Transmission's recent engagement on their procurement strategies for advance purchase mechanism facilitated through global frameworks with original equipment manufacturers (OEM). Such strategies are fundamental in securing key equipment that is becoming increasingly constrained due to global demands from competing energy markets outside of the UK.

Over the last 12-18 months with the ever-growing demand for customer connections and the approval by Ofgem of the ASTI framework, Burns & McDonnell has participated in an accelerated level of engagement with its transmission clients. Much of this engagement has focused on the upfront investment costs to allow for a sufficient new workforce to meet their demands. This for example has included considering the upfront investment to establish industry-wide training school for contractors and clients, industry wide joint recruitment campaign for contractors and clients, up-skilling lower tier sub-contractors and collaborative graduate & apprenticeship programmes for contractors and clients. Whilst these are just some of the critical paths to the overall success of a net-zero transmission system, understanding the mechanism to differentiate the costs associated with and the wider benefits of facilitating discreet growth investment funding separate from funding of projects will underpin the supply chains ability to gear up to meet the demands of the T3 regulatory period and beyond.

Burns & McDonnell welcomes this opportunity to share its views on the draft determinations and looks forward to seeing the final determinations at the end of 2025.