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RIIO Team  
OFGEM  
10 South Colonnade  
Canary Wharf  
London  
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28 August 2020

Dear RIIO Team,

**Re: RES Response to the RIIO 2 Draft Determinations**

The following is a response to the “RIIO 2 Draft Determinations” dated 4 July 2020 (“the RIIO Draft Determinations”) submitted by RES. Our response is not confidential.

RES is the world’s largest independent renewable energy company active in onshore and offshore wind, solar, energy storage, transmission and distribution. At the forefront of the industry for over 38 years, RES has delivered more than 18 GW of renewable energy projects across the globe and supports an operational asset portfolio of 6 GW worldwide for a large client base.

The following observations focus on proposals made in the RIIO 2 draft determinations as they relate to Electricity Transmission. Rather than respond to all of the questions posed, we have decided to provide input on matters critical to future evolution of a Net Zero total energy system. Our overriding message to Ofgem is that the RIIO T2 Draft Determinations have the potential to significant delay investment that is critical to setting a path towards Net Zero at least cost to the GB energy consumer. A short term small reduction in bills, as appears to be Ofgem’s focus in the Draft Determinations, will be at a significantly greater cost to the future energy consumer and to the detriment of achieving Net Zero by 2050.

## Managing Uncertainty

In principle we support Ofgem’s use of uncertainty mechanism as a means of offering value for money to the consumer whilst permitting flexibility to allow the transmission licensees to make essential investments when the time is right. However, we are concerned that Ofgem may be placing an over reliance on uncertainty mechanisms risking delay of delivery essential new renewables projects. These projects now offer the lowest cost form of new commercial scale electricity generation, as confirmed by the recent BEIS Electricity Generation Costs report<sup>1</sup>, and are therefore critical to achieving the objective of delivery Net Zero at least to the energy consumer. Delaying their route to market through delay to infrastructure investment can only be

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<sup>1</sup> Department for Business Energy and Industrial Strategy, Electricity Generation Costs, August 2020

to the detriment of the GB consumer. We propose that all infrastructure investments identified as enabling works in executed generator bilateral agreements be moved to Certain View baseline funding.

We note Ofgem's proposal for TO's to make pre-construction expenditure at risk in respect of investments that are to proceed through future NOA processes during RIIO-T2 subject to ex-post approval of efficient investment. Given the extent of investment that is fundamental to delivery of Net Zero that would be conditional upon the outcome of in-flight reopeners and for which significant pre-construction work would be required, we think this is highly damaging to the cause of delivering Net Zero. To the extent that critical new infrastructure, such as the East Coast HVDC link, remains outside of Certain View then, at the very least, Ofgem should be making prudent up-front allowances to ensure that transmission licensees are not discouraged from carrying out essential pre-construction work.

## Net Zero

The change to our energy system required to achieve Net Zero by 2050 is of a scale unseen in GB since electrification in the middle of last century. In order to meet this objective, it is essential that RIIO-T2 business plans inject sufficient momentum along the right path without unnecessary delay.

## Net Zero Reopener

We understand that the time may not be right for all Net Zero related investments to happen immediately and that there is a case for a Net Zero reopener. We support the establishment of the Net Zero Advisory Group as a dedicated advisory resource but would advocate their meeting more frequently than every six months.

We note the Net Zero reopener process outlined in paragraphs 8.24 – 8.32. Recent experience of Ofgem consultation process indicates that this process is likely to take in the region of two to three years. This is time that we simply do not have if we are to inject the required level of energy into the Net Zero delivery process. We call upon Ofgem to set strict time limits in managing the Net Zero Reopener Process and to ensure that it is properly resourced to manage that process when it is called upon.

## Incentive to Invest in Renewables

One of the challenges to the medium to long future of renewables is future cannibalisation of wholesale market prices, particularly as renewables penetration attains expected levels beyond 2030. This effect is having a significant impact on confidence of potential investors in renewables. Our experience from other markets with similar levels of renewables penetration is that investment in transmission infrastructure can help to address that cannibalisation by providing links to new markets, for example to improve access to international markets via interconnectors or to new internal direct markets such as green hydrogen production and bulk EV charging. Committing to these types of infrastructure investment now will send a much needed signal to those considering investment in least cost renewable projects critical to setting a path to Net Zero at least cost to the consumer.

## SHE Transmission Baseline

We welcome that Ofgem has included some essential new infrastructure in the draft SHE Transmission certain view baseline, including the the Kinardochy GIS station. We note that, in order to affirm this position, Ofgem invite SHET to *“demonstrate that either Glenshero Wind will connect before 2024 or that a LOTI Final Needs Case in 2021 will put at risk the meeting of the wider system need”*. RES is the developer of the

Glenshero wind project and can confirm that it must connect to the SHET transmission system in Summer of 2024 in order to support full operation in 2025. The Kinardochy GIS Station must therefore remain in the Certain View baseline funding for SHET.

If you wish to discuss any of the matters raised in this response, please do not hesitate to let me know.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Smart', enclosed within a thin black rectangular border.

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