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Dear Electricity Transmission Development team,

Subject: Shell response to Ofgem’s consultation on the initial findings of Ofgem’s Electricity Transmission Network Planning Review

Shell welcomes the opportunity to respond to Ofgem’s consultation on the “Initial findings of our Electricity Transmission Network Planning Review” (ETNPR).

We are supportive of Ofgem’s work to review how the Electricity Transmission Network is planned and view that it is timely to ensure that we can decarbonise efficiently and quickly. We view that Ofgem’s view to move to more strategic planning is appropriate considering the timescales to deliver transmission infrastructure and the UK’s strategic decarbonisation aims.

Ofgem has rightly identified the need for the ETNPR to be aligned with the Offshore Transmission Network Review (OTNR), especially the Enduring Regime (ER). We view that with offshore wind’s key role in the future system it’ll be essential that the workstreams don’t just aim for alignment, but ensure they are developed together.

We further recommend that in the ETNPR Ofgem considers why the current system does not deliver. Much of the scope of the ETNPR is currently focussed on proposals for a new system without setting out how or why the current system is not delivering. We think this is key as the current system in theory should meet many of the aims of the ETNPR, but we still see increasing long lead-times for connecting as well as rising constraint costs. We expect that Ofgem examining the drawbacks of the current system in detail will enable you to develop more precise, effective policies.

We have set out more detailed views on your questions below.

Question 2: Are there any other key workstreams that interact with this review that we need to align with?

Not that we're aware of. We support your view that the OTNR is a key workstream to be aligned with. Considering that offshore wind will likely be one of the largest sources of generation in the future we view that it is essential that the ETNPR decisions are taken hand in hand with developments in the OTNR and aim for more than alignment.

Question 3: Do you have any views on the scope of the review? Are there any key topics that we have missed?

Question 4: Do you have any views on the success criteria? Are there any key areas that we have missed?

Generally, we think the success criteria are appropriate. From our reading of the ETNPR the focus appears to be on a process for developing proposals in line with the scope you've set out, marked against the success criteria. The areas within the scope of the review are not the first time Ofgem has looked at how the electricity system, or elements of the system, are planned. The most notable example of this is the Integrated Transmission, Planning and Regulation (ITPR) project. The introduction of Connect & Manage was another notable point of review and change.

We view that it is essential to consider the current system and why it doesn't meet both the objectives of the ETNPR, but also why previous reforms such as through ITPR were not sufficient. One example we'd highlight is that in Appendix 1 Ofgem has scored NOA. We recognise this might be a short-hand as it represents the current system, but NOA can't be considered in isolation from the other aspects of planning and reinforcing the transmission network, which includes Connect & Manage, the price controls and uncertainty mechanisms as well as Ofgem's role as the ultimate decision maker over the network's reinforcements.

Question 5: What are your views on our enduring vision for Centralised Strategic Network Planning?

We support your vision to move towards planning the network more strategically. It will generally be beneficial as the lead-times for reinforcing the transmission network can be significantly greater than the lead-times for the generation and demand that need the reinforcement to connect. We also think it is especially important and beneficial in areas such as offshore wind generation where we have more long term certainty (eg. net zero targets), natural constraints (eg. wind resource) and there are constraints from other regulatory or decision making bodies (eg. seabed leases). Offshore wind is not unique in this role and considering other technologies strategically could also help, eg. CCUS, as CCUS is likely to be in coastal based clusters.

Question 6: Do you have any views on the proposed central network planner's role, who that planner might be, and how it may perform this function?

We support your views on the role of the 'central network planner', and view that the ESO/FSO is an appropriate choice. We note that the OTNR asks similar questions, notably on the "Holistic Network Design" (HND). We view that it is essential that the organisation performing the HND under the OTNR must be the same organisation as the Central Network Planner under the ETNPR.

Question 7: What are your views on the proposed stages and focus of the enduring CSNP model? If you can suggest alternative approaches to any of the stages then please do so.

The proposed stages seem reasonable, though we have several suggestions to improve the process.

Firstly, we would suggest the CSNP needs to indicate how it interacts with the proposed OTNR Enduring Regime (ER) process. Areas which we think would be useful include:

- Where the ER's strategic plan sits within the process, considering it has elements that could either interact or overlap with multiple stages of the CSNP process;
- Where and what the divide is between delivery models from the CSNP and ER processes, considering they could potentially be different.

Secondly, we would suggest that further changes and refinements of the CSNP could be appropriate and impactful once these key aspects of the current system have been reviewed and understood:

- Connection lead-times and how and why they have increased since the introduction of Connect & Manage;
- The criteria used to assess the benefits of investment in the transmission network (for both network and non-network solutions) and the cost and impact of not being able to connect low carbon generation;
- Whether historical solutions have met their objectives and had their intended benefit;
- Whether there were any missed opportunities eg. solutions that were rejected which would have had benefits.

Question 8: What are your views on closer stakeholder co-working to break longer-term uncertainty deadlocks?

In principle we can see that there might be benefits, especially in areas where long term decisions are taken in other areas (eg. offshore wind seabed leases). However, we do not think there is currently evidence that this is the key factor in breaking uncertainty deadlocks. As we've set out elsewhere we suggest Ofgem reviews the current system in detail to develop a fuller picture over why these deadlocks occur.

Question 11: Do you have any views on the next steps to implement CSNP?

Only that it is essential that the CSNP and the OTNR ER arrangements are developed in tandem with each other, and not just aligned.

Question 12: What are your thoughts on our initial view of the areas to be covered in the next phase of the review? Are there other areas that aren't included that you would like us to include?

We can see the benefits of Ofgem's structure. As we've set out in our earlier questions we view the ETNPR will benefit from considering the current framework. Within the proposed topics of the ETPNR we suggest considering:

1. The decision making for approving solutions and the criteria for CBA, including connection lead times and impact on net zero. We suggest this could either be under topic 2 or its own topic.
2. A review of the current arrangements and where issues arise, eg. how deadlocks occur. This could be embedded under each topic or again as a separate topic.

We also support Ofgem's proposal to ensure that non-build and non-network solutions are covered under topic 3. This will require careful treatment as it is key to ensure there is a level playing field and no systematic bias between them and the more traditional network and build solutions.

If you have any questions on our response, please feel free to contact me at Aled.Moses@shell.com or at 020 7934 3933.

Yours sincerely,

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