

RIIOElectricityTransmission@ofgem.gov.uk

01 July 2022

Dear James,

Dinorwig - Pentir – Consultation on the project's Final Needs Case

Transmission Investment, as one of the UK's leading independent transmission companies manages one of the largest offshore electricity transmission portfolios. We are a strong advocate of introducing competition into the delivery of transmission and we continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations such as these and providing evidence to Parliament.

Transmission Investment is also leading, in partnership with the French national grid company RTE, the development of a proposed HVDC interconnector between France and Britain via Alderney ("the FAB interconnector project") and is also developing alone a 700MW HVDC interconnector between Scotland and Northern Ireland ("the LirIC interconnector").

This consultation highlights again the urgent need for Ofgem to finalise the SPV model. Consumers are missing out on significant benefits from competition, both in terms of delivery quality, and efficiency.

Ofgem identifies three important shortcomings of NGETs delivery: how it has managed the asset; in its optioneering (to the point of needing to instruct alternatives to be considered); and in its early decision to close-down alternatives (by appointing a contractor) ahead of project confirmation.

Ofgem have concluded through the analysis that there is no alternative than to continue with the incumbent delivery and therefore is asking consumers to simply accept these shortcomings.

We disagree that this is the case. The analysis within the consultation seemingly ignores an alternative option. It does not consider that the 2-year delay in Option 2 is sufficient time to run a SPV competition, based on Ofgem and BEIS analysis¹. Ofgem's Impact Assessment estimates competition savings of up to 18.7%. Therefore, it appears reasonable to conclude that, implementing the SPV model with Option 2 would deliver a lower cost than Option 1 (even if only a small proportion of the competition benefits are able to be realised).

We continue to strongly support the approach in seeking to maintain the option of competition for as long as possible in the development of projects. However, Ofgem should urgently review how the current processes and incumbent delivery incentives can be improved to better support the use of competition. In this example, the needs case has been provided late, only after procurement has been undertaken. This has reduced the opportunity for a competition

¹ [Competition in Onshore Networks](#)

to be run. To prevent this in the future, Ofgem could require an approved needs case before initiating a procurement, better facilitating the use of competition.

This consultation again demonstrates how urgently legislation is needed to fully enable competitive onshore networks. We hope the Government can quickly bring legislation forward to enable the CATO regime to accelerate the benefits to consumers in the face of rising energy bills. In any case, we would encourage Ofgem to implement the SPV model to enable consumers to reap many hundreds of millions of pounds of benefit across the LOTI projects, regardless of the legislative timetable.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'M Fitch', with a long horizontal flourish extending to the right.

Mark Fitch
Corporate Development and Regulation Manager