

3rd May 2022

Dear Keren,

### **Consultation on Eastern Links 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 1400MW 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 how conflicts of interest within the industry planning process are detrimental to consumers. Consumers are facing a 60% chance of additional costs from delays in delivery by the incumbent, and have also lost the opportunity for competition for these large projects that would have lowered costs.

While we fully support the proposals for the Future System Operator and onshore competition, these changes remain dependent on legislation. The enduring solution is necessary to address the full range of conflicts of interest within the industry, i.e. creating a fully independent (in both ownership and control terms) body planning the system. It is critical that the issues are fully explored in the ESO's internal review of planning and the Electricity Transmission Network Planning Review to consider how the industry processes can better support competition and avoid inadvertently undermining and limiting competition. Ofgem should consider how these processes and the delivery incentives on the incumbents work together to reduce consumers exposure to additional costs from delay and support the introduction of competition. This should inform the new legislated arrangements such that the new processes enable every project suitable for competition to have sufficient time to be competed.

However, in the interim, we would urge Ofgem to act now and implement the SPV model (while legislation is passed) to avoid repeating this situation where consumers lose out. If the SPV model was applied to the Eastern HVDC projects consumers could have enjoyed over £600 million of benefits on these alone (based on Ofgem's own Impact Assessment estimates of percentage savings of up to 18.7%).

The failure of the incumbent to deliver these projects on time also has broader impacts on Net Zero targets. Specifically delaying interconnectors from becoming operational. Interconnector parties are not subject to Connect and Manage arrangements and therefore these delays to reinforcement works would prevent connection. In turn this reduces system flexibility for integrating more offshore wind and further risking the achievement of the Government ambition of 18GW of interconnection by and 50GW of offshore wind by 2030.

Noting the points above, we continue to strongly support your approach in seeking to maintain the option of competition for as long as possible in the development of projects.

We hope that the Government can move quickly to bring legislation forward as highlighted in its recent Economic Regulation Policy paper so the CATO regime can begin to deliver 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, regardless of the legislative timetable.

Yours faithfully,

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

**Mark Fitch**  
Corporate Development and Regulation Manager