

Paul Wakeley
paul.wakeley@nationalgrideso.com
07920 702512
www.nationalgrideso.com

6 September 2022

National Grid ESO response to Accelerating onshore electricity transmission investment consultation

Thank you for the opportunity to respond to the 'accelerating onshore electricity transmission investment' consultation published on 8 August 2022.

As the Electricity System Operator (ESO) for Great Britain, we are in a privileged position at the heart of the energy system, balancing electricity supply and demand second by second. As the UK moves towards its 2050 net zero target, our mission is to enable the sustainable transformation of the energy system and ensure the delivery of reliable, affordable energy for all consumers.

We use our unique perspective and independent position to facilitate market-based solutions which deliver value for consumers. Our Holistic Network Design (HND) and Network Options Assessment (NOA) 2021/22 Refresh analysis (both published on 7 July 2022) showed the need to reinforce the onshore electricity transmission network to accommodate offshore wind generation essential to meeting Government 2030 and net zero ambitions. We support the need to invest rapidly in the network to meet these ambitions and welcome Ofgem looking at how delivering those network investments can be accelerated.

Our key points

The ESO believes that competition in onshore transmission can deliver benefits to consumers by enabling innovation and more efficient delivery and financing of projects. Of the 26 projects that are the subject of the consultation, three have optimal dates that are later than their earliest in service date (EISD) making competition easier for ones that meet the competition eligibility criteria. Of the remaining 23 projects, 13 are optimal in their EISD year and accelerating these could be possible for those that meet eligibility criteria. The rest are required before their EISD magnifying the impacts of delay. However, to connect large volumes of offshore wind by 2030 as part of net zero ambitions, we need to consider network constraint costs due to any delay in project delivery.

To achieve the optimal outcome for consumers, we promote the need to weigh the benefits of competition against the cost of constraints incurred due to any delays in the project delivery. If the 26 projects are not delivered in time, this could incur significant constraint costs. Exempting them from competition could reduce this risk. Additional assessment of the delay costs and the competition benefits will be needed to identify the optimum outcome in each case. Furthermore, we support any improvements to processes such as for Large Onshore Transmission Investment that speed up the overall network development process and reduce the risk of late delivery.

The consultation also notes that Ofgem will consider whether additional projects should be considered strategic onshore electricity transmission projects, and potentially be considered for inclusion within the accelerated delivery framework where they meet the qualifying criteria. This consideration by Ofgem should extend to any offshore assets within the HND if they are classified as onshore transmission by Ofgem in future via the ongoing HND asset classification process.

It is important to note that without the acceleration of the ten projects listed in Table 5: *Projects that need to be delivered before EISD and by 2030* (at the bottom of page 28) of the consultation, the network may not be compliant with transmission system design rules.

In considering whether it is appropriate to exempt the six projects from competition it is important to consider when late model competition could be implemented and realistic timeframes for the completion of the first competitions that are run.

BEIS has recently indicated its preference for the ESO/FSO to be the delivery body for late competition. Whilst we are currently implementing early competition, we do not currently have the remit to develop or

implement late competition. Previous work to develop the late competition model was undertaken by Ofgem and was paused in 2016. Whilst there are some similarities to early competition, there are also notable differences between the models. For example, late competition involves a more complex tender specification process, a different commercial model and greater risk and liability sharing between TOs and the winning bidders.

In addition, we do not currently run major infrastructure competitions and therefore time is required to develop the skills and capabilities to do so efficiently. TOs will also have a major role in late competitions, which will need to be identified, resourced and implemented. Therefore, significant amounts of work are required to complete the design of the late model competition and to develop the capabilities to efficiently run such competitions. If those six projects are to be subject to competition, a decision to implement late competition will need to be made as soon as possible.

We recommend that Ofgem, the ESO and the TOs agree realistic timeframes for the implementation of late competition to be used in any further consideration of whether to exempt further projects.

We also note that Ofgem has only considered exempting projects from late competition, which has a minimum value threshold of £100m. The proposed early competition criteria do not have a minimum value threshold. It is likely that most projects required for 2030 would have progressed beyond the early competition point by the time competition is introduced. However, it may be helpful, for the avoidance of any doubt, to make it explicit whether Ofgem intends that such projects could be considered for early competition.

In summary, we support competition while noting that further work is necessary in some cases to ensure that competition isn't at the expense of increased constraint costs due to extending reinforcement delivery times. We welcome the opportunity to discuss any of the points raised within this response. Should you require further information or clarity please contact Kelvin Lambert, NOA Lead (email kelvin.lambert@nationalgrideso.com) in the first instance. Our response is not confidential.

Yours sincerely

Iain Shepherd for

Paul Wakeley

Strategic Network Development Manager