

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Dear Sir(s),

Reference: Consultation on accelerating onshore electricity transmission investment

Morrison Energy Services work with national energy networks and publicly owned organisations to repair, renew, refurbish and maintain the country's gas, electricity, and green energy infrastructure, with a key focus on decarbonisation to support the transition to a Net-Zero economy. We are currently a Tier 1 supplier to the TO and DNO networks, involved for over 85 years in the development, design and delivery of major Overhead Line and Substation projects across the United Kingdom.

We have elected to respond to the 'Consultation on accelerating onshore electricity transmission investment' on the basis that our stake in the industry is significant, and therefore the resulting accelerated framework will have a material effect to our business. It is our intention to become a principal supplier within that ecosystem.

Principally, we believe the proposed accelerated framework is the optimum pathway to delivering the substantial programme by 2030.

*However, we must reiterate the importance of programme visibility, stability, and certainty as a result the proposal, with a committed portfolio of work (as opposed to a project-by-project approach), as a prerequisite to the **significant investment in skilled human resources, products, services, and innovation** required for industry to meet the challenge in time for the 2030 delivery deadline.*

Uncertainty, Value and Innovation

With investment levels in industry generally determined by a long-term view on expected volumes and revenue, we are concerned that uncertainty and instability may destabilise confidence in resourcing strategies and employment levels, thus prohibit innovation benefits which could be passed to the consumer.

Volume visibility and stability in both the 'business as usual' and east coast programmes is crucial for industry to maintain continuity with its engineering capability and supply chain, to prevent delays and excess costs in scheme development. A point particularly pertinent for a sector that is already subject to inherent volume uncertainty, due to the historic fluctuating nature of connections and transmissions.

It is our concern that lack of certainty and visibility may drive our most innovative industry partners from investing in value creating resources, turning away from the UK transmission market to overseas markets where revenues can be more guaranteed. This may severely impact the UK's potential to create value opportunities to improve the quality and cost of service for its consumers.

Industry Employment, Retention and expansion of Skills

As a leading engineering services provider, our people, with their skills and knowledge, remain core to the services that Morrison Energy Services delivers. Our electricity transmission sector workers operate in a highly skill sensitive, yet resource constrained environment.

Internationally, the energy and major infrastructure markets are ramping up, creating a job market that is already attracting skilled UK workers to those projects. The UK needs the forward visibility and certainty via the proposed accelerated framework, early, to compete in this climate.

It will take time to safely increase resources to cope with the demands of both 'business as usual', and the 2030 programme. This is also reflected within the associated supplier eco-systems each TO and tier one supplier operate within. We will engage with our suppliers, and will need to assurance of continuity of supply, simultaneously with expansion, for the 2030 programme.

Our experience is that most of these skill sets are highly sought after. To emphasis this, we advise notional timescales for our programme of skilled human resource development:

Human Resource	Development Time
New PM to the industry	12 to 18 months, getting an understanding of standards and requirements
Supervisor to Site Manager	3 to 4 years, gaining experience and obtaining all necessary qualifications and time being mentored
Project Engineer	3 to 4 years to be fully aligned with all aspects of the discipline
Operator to Supervisor	2 to 4 years, to gain experience and gain necessary qualifications
New Planner to industry	12 to 18 months, getting an understanding of standards and requirements
Commissioning Engineer	From qualified engineer to CE is about 5 to 7 years, to Advanced Commissioning Engineer 7 to 10 years
Designers to CDAE	From Graduate qualified, minimum 5 years

This is further emphasised by the fact that it requires four years of theoretical, practical, and on-the-job training to develop a raw recruit to a fully-fledged front-line (LE1) Workers. If the programme becomes less visible, unstable, less programmatic or uncertain, it would be inefficient to lose and retrain workers annually, potentially forcing premiums which do not represent value to the consumer.

That, in conjunction with the time taken and additional costs (c.20%), for the re-acquisition, on boarding, training and deployment of replacement workers, alongside experienced workers, culminates in a significant limitation when attempting to remobilise following a decline in work volumes.

Therefore, we believe a committed portfolio of work, will enable investment in the key resources required to deliver the proposed programme on time.

Lastly, we would point out that with Brexit still in its initial stages, and other geopolitical issues, yet to be fully understood, we envisage a further substantial increase to existing financial and physical supply risks.

In summary, without a committed portfolio of work to enable investment, uncertainty could result in increased unemployment and skill migration from the industry, hampering the sector's ability to deliver resilient and reliable transition networks and the resultant value provided for the UK consumers.

The following pages outline our specific response to the questions in the consultation.

Yours faithfully,



Peter Carolan

Managing Director, Morrison Energy Services

Morrison Energy Services – Response to specific Questions in the Consultation

Do you agree with our criteria for identifying projects in scope for the application of the proposed accelerated delivery framework?

Morrison Energy Services (MES) agrees in principle with the criteria for identifying eligible projects for the proposed accelerated delivery framework. However, we would comment that potential further benefits to the consumer could be realised by using a lower threshold for project value. In our view, there are several projects in the revised NOA which we would categorise as either significant projects by value, or major projects with sufficient synergies with some of those selected in the 26-item shortlist.

In our view, incentivising the TO's to consider a workbank portfolio that delivers major projects, but also projects with technical or regional/geographic synergies may result in increased value via common solutions, value engineering and/or common project delivery logistics.

Therefore, we would seek to advise that major projects, let via two separate frameworks, with differing tendering requirements, and potentially run at differing, incompatible programme schedules, could result in a non-optimal programmatic solution and delays in delivery. We believe a committed portfolio of work will provide the TO and its supply chains to invest in the key resources required to deliver the programme.

Are the 26 projects identified the correct ones to initially focus on?

Given the comments our response to the above, MES believe the 26 projects identified for acceleration are the correct ones to initially focus on but could be extended to incorporate synergistic projects.

However, our position with regard to the required delivery capacity and capability is that;

1. Given certainty in a workbank portfolio, an accelerated, less adversarial framework in which to operate, confidence to invest in long term skills development in all areas of the business that would deliver increased return on infrastructure investment value to the consumer.
2. With more opportunity to invest in skills, we would seek to accelerate associated investment strategies in jobs, skills development, plus ensure that this investment flows back-to-back into our supply chain where resourcing products and services to deliver the works would require such investment.

Therefore, in our view, taken alongside our comments on the previous question regarding portfolio commitment, we believe it is important to ensure that all major projects with key value adding synergies are considered eligible for the accelerated framework.

Do you agree that it is in the consumer interest to consider exempting projects from competition?

Given the emphasis on potential consumer benefits, we believe that it is in the best interest of consumers to consider exempting projects from competition, in order to deliver on time.

It is worth stating that we believe an essential element of competition will remain in the market, with the selection of the TO supply chain to deliver the work. *We are already an incumbent, competitively selected supplier on the RIIO-2 construction frameworks*, and it is our intention to further demonstrate value to the consumer in the competition to provide competitively selected services to the accelerated programme, and to demonstrate incentivised delivery savings can be passed to the consumer.

However, we note and understand Ofgem's Cost Benefit Analysis, underlining that, given programmatically manageable risks, the consumer will most likely experience a net benefit.

Those programmatically manageable risks, in our view, can be realised if investment in the resources and supply chains to deliver the programmes, is made more certain by the commitment to streamline the processes required to bring the programmes to delivery.

Additionally, given the acceleration in the Network Options Assessment, resulting from the 2022 HND, we believe that there are no realistic alternative options that could deliver the programmes with net consumer benefits, and a risk that the detriment factors outlined by Ofgem in the CBA, as a result of late delivery, are tangible risks.

Therefore, given the potential to remove 12 months or more from the sanctioning process, and a certainty, via a committed portfolio of work, TOs and their supply chains can make the investment in skilled human resources and products, plus have time to innovate/apply value engineering, in time for delivery, with a lower risk of overrun.

With regard to the existing provision for CATO in the regulatory framework, it is our firm belief that, whilst competition is generally accepted as a value adding factor in infrastructure procurement, the realistic time for Ofgem to competitively tender and execute CATO/CATOs in time for a now more critical 2030 deadline, establish costs and then allow those CATOs to run a delivery competition with newly formed supply chains, has now expired.

Therefore, we believe the formation of CATO is a significant risk to the consumer, despite the principle being logical. It is therefore our advice that the accelerated framework should be considered with the incumbent TOs and their well-established RIIO-2 delivery supply chains, with established costs. Furthermore, delays due to the formation of a CATO will disincentivise suppliers from investing in longer term skilled human resources.

Which of our options for exempting projects from competition do you favour?

We would favour at least all 26 projects being eligible for exemption from competition.

Our view, as previously stated, is that further projects could be considered, where there are demonstrable technical, programmatic, and regional synergies.

It is of utmost importance to us that visibility, certainty (via a committed portfolio of work), and stability of the most comprehensive project workbank portfolio is confirmed, in order to trigger investment in skilled human resources, plant, equipment and supply chain.

Do you agree that without upfront certainty that they will be delivering enough of the investment needed for 2030, TOs will face significant difficulties mobilising the supply chain to deliver the works on time?

In terms of skilled resources, we have a continual strategy of strategic resource management that is designed to ensure the appropriate resource levels are maintained to guarantee delivery. *However, given visibility, stability and certainty (via a committed portfolio of work),* this programme and other planned schemes as part of the existing RIIO-2 framework, an opportunity exists to extend our resourcing strategy for the long term, attracting permanent new talent, skills, and competencies into the power industry.

Our capacity to deliver is directly influenced by the contract model and potential allocation of projects/programmes/portfolios, alongside the commitment required from their TOs to invest. Furthermore, investment, via visibility, stability, and certainty, will also trigger our supply chains to both invest in the required resources, tooling, facilities, and logistics required to scale up, and commit to innovation projects that are not possible in shorter, project specific frameworks.

We advise that it is critical that upfront visibility, stability, and certainty (via a committed portfolio of work) around delivery is given to the supply chain. Mobilising the required resources to deliver will require the requisite investment in those resources, for the long term. This investment trigger would flow through the supply chain tiers with similar triggers. Global supply chains have multiple customers and competing infrastructure delivery commitments.

Furthermore, long lead items will need to be identified early, and suppliers will need to be engaged back-to-back with the TO tier 1 supply chain.

Therefore, it is imperative, given the acceleration of the projects in the NOA, that engagement and commitment start immediately.

Each Tier of the supply chain will need to secure commitment to deliver from the next tier. MES, in recent consultation with the TOs, identified several key risk areas that could be mitigated by more upfront certainty:

1. Resources (people, materials, subcontractors, plant, equipment)
Mitigation: Workbank Visibility and Certainty. Long term Planning, recruitment, training/development, and deployment with early programme commitment.
Resources could be further flexibly deployed in a collaborative arrangement with the TO and other industry partners to fully exploit economies of scale.
2. Programme, DCO, Outages
Mitigation: ECI, Collaborative planning, early engagement with the DCO process.
3. Scope of Works Certainty/Interfaces
Mitigation: Removal of staging process (FEED-Delivery) ECI, Collaboration, Civils/Ground Conditions/Accesses/Methodology, DCO Requirements
However, it is also our view that commitment in advance of detailed design and delivery is essential, in order to invest up front in resources that can take 2-3 years to fully implement.
4. Procurement, Type Approval / Registration
Mitigation: ECI, Morrison Energy Services Design/TR, Collaboration, Key Supply Chain
5. External Approvals/Factors, Security/Protestors
Mitigation: ECI, Planning/Section 37, Public Consultation, joint DCO requirements development.

Our view is that, to trigger investment and time in developing key delivery resources, long term visibility, stability and certainty is needed.

Therefore, MES, given certainty, via a committed portfolio of work, and more streamlined approach to delivery, would also seek to invest in human skills whilst simultaneously augmenting the current supply chain, given time to adopt new, innovative products, where time and cost benefits are certain.

In summary, commitment via a visible, stable, and certain portfolio work bank, a programmatic approach, at the earliest opportunity, would trigger investment in skills and capacity.

Do you agree that it is in consumer interest to consider streamlining our regulatory processes?

Our position is that a merged regulatory process which rapidly confirms the in-scope strategic projects, followed by a streamlined, staged sanctioning approach, is the best option, to:

1. Provide enough up-front certainty for the TO supply chain to invest in skills, resources, equipment, products, and services in time for programme delivery.
2. Maintain a risk management profile that allows good cost governance on a programmatic basis, fed up via a staged approach to sanctioning projects.

Our view is that a programmatic approach to delivering the work will deliver significant economies of scale, particularly where a regional approach, using our collective resources to improve efficiency in delivery. Regions can share resources across all infrastructures, projects, and sites, consolidating and smoothing resource profiles, supply chains and programme execution.

Furthermore, the application of both programme and project level Early Contractor involvement (ECI), predominantly with earliest adoption due to the reduction in scheme sanctioning time, will provide both cost and programme certainty, alongside mitigation of unforeseen circumstances which may impact on EISD and thus attract penalties/erode consumer benefits.

Therefore, the early engagement of the TO supply chain, via a committed portfolio of work, we believe, is proportional to the attainable programme risk reduction and price control at outturn. We have experience in undertaking collaborative ECI with the TOs, resulting in demonstrable reductions in programme risks.

Do you agree with the costs and benefits methodology we have established?

We agree, in the absence of detailed underlying data, with the principle of the CBA Ofgem have provided, primarily as it supports a balanced view on the reasons and conclusions that a non-competitive, accelerated framework is the best option for *both* securing the investment in human resources and the supply chain to deliver the work with a net consumer benefit.

Do you agree with the conclusions of our cost and benefits analysis?

In the absence of lower-level detail which supports the metrics used in the CBA, we cannot make further comment.

However, given we are expecting to compete to win a position within the accelerated framework, and assuming the low-level data is valid, we believe the principles outlined in the CBA, and the associated conclusions/outcomes, are logical.

What are your views on introducing a package of regulatory measures which Ofgem may apply to protect consumers?

We believe regulatory measures must be introduced to mitigate risks associated with the CBA, given that a proposal of this nature has never been executed within a recent regulatory framework in the electricity industry, and is therefore untested.

However, in order to make these measures attractive to the supply chain, it is imperative that the introduction of flow-down measures does not impede progress with respect to the formation of the delivery teams required for this programme.

We would expect that delivery level performance measures are made clear enough, early enough, and that TOs are incentivised to demonstrate how key programme level performance measures will work within their own supply chains without the risk of disincentivising them to mobilise.

Therefore, given our points above, we believe this would ensure the supply chain will engage without risk of potentially detrimental contracts.

What are your views on the design of each of regulatory measure? (Please clearly reference which measure(s) your comments relate to e.g., Accelerated delivery Output Delivery Incentive, Ex post efficiency review, etc)

Given the TOs need to incentivise suppliers, and that is likely that each tier will reflect performance responsibility within individual contracts, our view is that the measures should flow down into the TO supply chain to manage the risks associated with those incentives.

Our view is also that TOs should not wholly pass on responsibility within any delivery key result areas or key performance measures to their supply chain which are outside their scope of control.

Therefore, we envisage the execution of measures being collaborative and with shared, proportional responsibility. Therefore, we advise that onerous key performance measures may not incentivise supply chains to engage and invest. We would reiterate (given our response to question 10) that measures must attract the supply chains to engage at portfolio level, and must be seen to fairly applied, thus they must be made available as early as possible.

Do our you think our proposals raise any financeability concerns or create excessive financial risk for the network companies? If so, how could they be addressed?

As a tier one supplier to the TOs, we remain concerned at the assertion that existing RIIO-2 determinations will adequately provide the upfront financing or confidence required to trigger investment in developing delivery resources at the scale required to eradicate delivery risks.

Furthermore, given Ofgem's current position that "...it is not possible to reach a definitive view on whether the necessary investments would remain financeable under future price controls beyond 1 April 2026 (RIIO-3)", alongside investment required in advance of schemes in that period (RIIO-3), it is not clear if the investment incentives are clear enough to the TO supply chain.

Therefore, our view is that a clear finance pathway is required for the entire period, which does not assume existing RIIO-2 (pre programme development) budgets will trigger that investment, or that the RIIO-3 price control determination is adequate incentive for the supply chain to invest prior to that determination, especially when it is clear projects are being accelerated to be delivered by 2030.

We believe a specific and committed portfolio of work, with an accelerated programme budget for the entire period, is required to engender enough confidence in the supply in order to invest for the long term.

Is any further guidance, or additional specific information, needed as part of the TOs' project delivery plans?

We have no comment to add on this subject.

Are there any additional timetable issues that need to be considered?

Given the scarce resources in the UK energy sector and required investment scale and risks associated with delivery to the 2030 deadline, we believe that securing the TO supply chain is material to the delivery of the programme.

It is essential that TOs formally engage their supply chains and confirm capacity at the earliest.

Therefore, we would advise that a further stage which confirms back to Ofgem that the TO supply chain is in place, with investment plans linked to a committed portfolio of work, and that resources/resourcing strategies are confirmed and able to scale to deliver the programme, is essential.