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| Date: 06th September 2022  RIIOElectricityTransmission@ofgem.gov.uk |  |
| **For the attention of RIIO2 Team** |  |

Dear Sir / Madam

**Re: Morgan Sindall response to Ofgem’s Transmission Investment Consultation**

Please find attached Morgan Sindall Construction & Infrastructure response to the questions set out in the Ofgem Consultation Document on accelerating onshore electricity transmission investment. Please do not hesitate to contact us should you require further information.

[Energyandwater.precontractms@morgansindall.com](mailto:Energyandwater.precontractms@morgansindall.com)

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| **Q1** |
| **Do you agree with our criteria for identifying projects in scope for the application of the proposed accelerated delivery framework?** | |

Yes, we agree that the criteria set out for identifying in scope projects for accelerated delivery appears very straight forward and logical. For example, if projects are required to be operational by 2030 in order to connect 50GW of offshore wind generation and the acceleration benefit exceeds consumer detriment they should be selected.

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| **Q2** |
| **Are the 26 projects identified the correct ones to initially focus on?** | |

We agree that the 26 projects identified are the right projects to focus on and there is strong consumer interest in ensuring the necessary transmission upgrades are delivered on time. We have no reason to challenge whether these are the correct projects to focus on from a technical point of view in terms of the HND, so would support them as the critical.

While 16 of these projects are currently expected to be delivered in or before 2030 regardless, these should remain in focus and resourced effectively to ensure that unforeseen delays do not extend their delivery date beyond 2030. The other 10 projects need to have their delivery dates brought forward to 2030 to meet the needs of the nation and avoid unnecessary costs and burden to consumers.

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| **Q3** |
| **Do you agree that it is in the consumer interest to consider exempting projects from competition?** | |

We do not believe the UK could still hit 2030 targets if we wait for CATO legislation in 2024 (at the earliest) and then Ofgem initiates a competitive process to seek a firm commitment to develop and deliver major investment projects by 2030 from CATO bidders.

We therefore agree that it is in consumers interest to exempt projects from competition. It is clear that the need for the creation of a procurement process, launching and tendering, assessment, negotiation and award all take considerable time which is not available for these projects. Removal of this in time critical projects will outweigh any perceived loss of competitive cost saving. In recent years at a contracting level, tender processes have focused and scored more highly on the technical element of submissions which goes some way to accepting that lowest price does not equate to best value. The operators have significant data from historic and live projects to ascertain whether pricing is in line with the market. Additionally, this programme will require many contractors to deliver, and pricing can be compared in an elemental form between those contracts. Modern collaborative contracts allow the operators complete transparency of ongoing project costs which can be assessed, agreed & challenged at every stage if necessary down to a very granular level if required.

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| **Q4** |
| **Which of our options for exempting projects from competition do you favour?** | |

We believe that it would be a logical approach if mechanisms can be put in place to achieve value to the consumer through removal of competition of some projects, then this should be applied to all projects and not just those with the most extreme time constraints. Through new ways of working such as open book contracting and enterprise model approaches costs and value can be determined as projects develop and are delivered. This is carried out collaboratively to achieve “best for project” outcomes.

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| **Q5** |
| **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?** | |

We agree that any lack of certainty will limit the supply chain’s ability to mobilise and invest in order to support TOs meeting the needs of these projects. Those entities involved in delivery will be willing to invest in recruitment, training and growth within their teams if there is certainty of workload. Commercial organisations will not be able to invest in that necessary growth at a suitable rate if it is possible that the workload does not materialise. As identified, other key elements and commodities such as cable suppliers need the certainty of growth to make investments necessary to meet demands as there is a limit to current factory production levels and a step change (i.e. investment in new factories) is required going forward.

Committed orders also allow entities such as ourselves to recruit and invest fully to build teams and capability and longer-term commitment allows us to grow capability from within rather than recruiting from competitors (which does not increase overall UK delivery capability). This is an essential step change if the delivery capacity of the UK supply chain is to increase to meet the needs as set out.

As a delivery organisation we are prepared to invest in the growth of our capability if there is a realistic expectation that will make a return on our investment. We track the market, Government policy and liaise closely with our customers to make those informed decisions. Where uncertainty is evident is it difficult to justify unnecessary expenditure. We will, however, always support customers to an extent through development phases where upfront costs are minimal (i.e. ECI processes or similar).

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| **Q6** |
| **Do you agree that it is in consumer interest to consider streamlining our regulatory processes?** | |

While a regulatory process is in place to protect consumers and stakeholders there is certainly a case to streamline existing arrangements. While cost benefit analysis goes some way to justify any change, set against the backdrop of climate change and international reliance to serve our energy security needs, the case for change is overwhelming at a national level and the greatest benefits achieved will be obtained by implementing changes at the earliest opportunity.

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| **Q7** |
| **Do you agree that it is in consumer interest to consider streamlining our regulatory processes?** | |

We agree that the approaches set out in option 1 and 2 are reasonable and most likely to be adopted. By its nature the development of any project is iterative, and the project should be reviewed at stages to ensure initial assumptions are still valid and therefore the cost benefit of the project is acceptable. ECI approaches work well in early stages of project development to ensure that projects are buildable with the known constraints and that focus is given in the right areas to ensure that certainty can be achieved sooner rather than later. This may be through focused ground investigation, increased design effort in key areas or reworking schedules and resources to avoid pinch points. Aspects such as these can be accommodated easily at an early stage but become more difficult as project decisions are locked in (on land take, outage requirements, planning and consents etc). This work can always be held so it is not lost and can be passed to the final delivery organisation if that is a different entity to the one carrying out early involvement.

We would see benefits from a programme approach where delivery organisations can work closely with operators to deliver a programme of works which can be coordinated with other delivery organisations. Benefits might include shared site set ups, coordinated logistics, development of sufficient local resource and supply chain capacity (and supply chain prioritisation and programming) if projects are allocated in a collaborative programme model. Sharing central services such as procurement could be considered along with safety programmes, best practice sharing and resource as necessary.

With the impact of climate change and concerns over future energy supply from outside of the UK and consumer energy cost increases, there is an argument that option 4 with full cost pass through is a valid option in some circumstances and may become more and more relevant if the impact and pressure of those external factors increase in future years.

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| **Q8** |
| **Do you agree with the costs and benefits methodology we have established?** | |

We have no reason to challenge the basis of the figures presented and appreciate there needs to be a sound basis for a decision to be taken. As an overall comment and as mentioned in other responses, it would appear that climate change considerations, consumer energy price increases and international energy supply concerns would appear to greatly increase the overall benefit of acting early, moving quickly and carrying out the programme of works in a way which allows delivery partners to engage and grow at the earliest opportunity.

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| **Q9** |
| **Do you agree with the conclusions of our cost and benefits analysis?** | |

We have no reason to challenge the conclusions presented other than highlighting our overall observations made for Q8.

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| **Q10** |
| **What are you views on introducing a package of regulatory measures which Ofgem may apply to protect consumers?** | |

We understand that measures are seen as a way of protecting consumers from carrying unnecessary costs. In light of previous comments around working collaboratively in an enterprise delivery model we would welcome the introduction of incentives to secure project delivery. Shared incentives create a “best for project” approach and align all parties to deliver within the set parameters. Creating a positive incentivised enterprise model to deliver these works will reduce conflict, waste and abortive work which will overall deliver better value to consumers.

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| **Q11** |
| **What are you 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)** | |

The Ofgem current view set out at 7.12 refers to incentives and penalties at TO level and this will no doubt be cascaded down through the supply chain. We have experienced a variety of approaches on major infrastructure schemes and generally the impact of incentives leads to a more positive outcome. Penalties can have a negative effect on delivery culture with participants protecting their own interests through increased commercial activity and conflict to avoid such penalties. If excessive penalties are introduced to the Operator these cannot necessarily be backed off to commercial organisations as the value of the work carried may be small in relation to the impact of a network delay, this diminishing position carries down through the supply chain. From our own perspective, we could only accept penalties which put a small proportion of our profit at risk. Anything beyond this is not sustainable in the long term and would therefore not pass out governance process.

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| **Q12** |
| **Do our you think our proposals raise any finaceability concerns or create excessive financial risk for the network companies? If so, how could they be addressed?** | |

We have no specific comment on this topic.

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| **Q13** |
| **Is any further guidance, or additional specific information, needed as part of the TOs’ project delivery plans?** | |

We will work closely with the TO’s we work alongside to understand and influence the detail of the delivery plans as they develop.

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| **Q14** |
| **Is any further guidance, or additional specific information, needed as part of the TOs’ project delivery plans?** | |

From a delivery perspective our concern is that the acceleration being discussed is still going through a lengthy process to determine whether it is acceptable or not. We are currently delivering transmission schemes and we continue to grow our workforce to service the projects that are certain and that we have secured. If the decision to fund these projects and build a delivery model that allows new ways of working to flourish takes several years to develop the supply chain could be stagnating during this time rather than growing to meet the needs of 2025 to 2030. Where possible, some schemes should be brought forward to delivery as soon as possible in parallel with this overall acceleration strategy to allow the supply chain to gear up and to be ready to deliver the volumes required.

Yours faithfully



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