

Ofgem OTNR consultation, August/September 2022

Accelerating onshore electricity transmission investment

The East Anglian Alliance comprises an informal association of amenity groups, countryside organisations and community representatives in Essex, Norfolk and Suffolk.

While each group has specific interests in relation to Ofgem's consultation, they share common concerns about the significant impact on the region's communities and countryside.

Views and concerns shared by members include the following:

Overview

The consultation document starts from the presumption that the 26 projects identified by NGESO will be in the best interests of consumers, communities and the environment, along with the developers and energy industry.

This is not a given. Modifying the current system on the basis that these projects will proceed as proposed is premature. Many are at a formative stage and the need for others is being questioned. Steps can be taken to accelerate Ofgem's process but they should not be based on the assumption that projects will go ahead as proposed.

We have no objection to the introduction of more flexible funding arrangements per se. Indeed, we suggest greater flexibility will be essential to enable changes to be made at relatively late stages of a project and thus avoid or reduce the harm that is likely to result. It could be argued that a lack of flexibility in funding for offshore projects has already contributed to higher costs for consumers and avoidable harm to local communities.

Against this background we have provided answers to most of the questions in the consultation document and made an additional suggestion related to accelerating the process.

Question 1: Do you agree with our criteria for identifying projects in scope for the application of the proposed accelerated delivery framework?

Question 2: Are the 26 projects identified the correct ones to initially focus on?

- A. We see no reason why the criteria should be limited to these projects. Well-reasoned criteria can be applied forthwith to all projects. Restricting the number of projects seems to be predicated on the notion that the criteria are in some way likely to result in inferior decisions, or could incur greater risk. We see no evidence for this. We also regard the need for some projects – in their current form – as unproved.

Question 3: Do you agree that it is in the consumer interest to consider exempting projects from competition?

- A. Where delay will result in significantly higher costs, such as by incurring constraint costs, and where competition will result in delay, the consumer may be best served by exempting projects from competition. Of course, poor outcomes could also be a failing of the competition model.

Question 4: Which of our options for exempting projects from competition do you favour?

- A. The projects in table 6 are very different in type and at different stages. More information is needed before this question can be answered.

Question 5: 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?

- A. Some parts of the supply chain are far more sensitive to time factors than others. The differences and cost implications for each should be identified.

Question 6: Do you agree that it is in consumer interest to consider streamlining our regulatory processes?

- A. Streamlining implies cost reduction which is likely to be in the consumer's interest, assuming there is adequate information for sound decisions. If, on the other hand, streamlining results in 'cutting corners', all parties – but especially local communities – may suffer.

Question 7: Which of our options for streamlining our regulatory processes do you favour?

- B. Approach 1 is potentially an extremely dangerous proposal, not least because it would effectively invalidate much of the standard consultation process. We note the caveat concerning particular design choices but some options are fundamentally different and the need case for several has yet to be proved. Instead, we believe Approach 2 could be refined to provide adequate assurance to the TOs that initial costs would be covered while making full costs subject to planning consent. In some cases, 'clusters' of projects could be treated as one where they are closely interrelated.

Question 8: Do you agree with the costs and benefits methodology we have established?

Question 9: Do you agree with the conclusions of our cost and benefits analysis?

- A. Q8-9 We have no strong views on this topic.

Question 10: What are your views on introducing a package of regulatory measures which Ofgem may apply to protect consumers?

Question 11: 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)

- A. Q10-11 From our perspective the proposed use of licence obligations appears a reasonable method of reducing consumer risk. However, we see a danger where such obligations focus entirely on financial and time deliverables. TOs already use the “Ofgem won’t allow it” argument as a rebuttal to reasonable objection on a range of community issues. Impacted communities are consumers too and licence obligations should contain adequate safeguards to protect vulnerable stakeholders who already have very little influence over major infrastructure projects.

Question 12: Do you think our proposals raise any financeability concerns or create excessive financial risk for the network companies? If so, how could they be addressed?

- A. We do not see why Ofgem’s proposals should raise financeability concerns. The returns for regulated companies are underwritten in a way that many commercial businesses envy. The speed at which decisions are taken should not impact markets or funding.

Question 13: Is any further guidance, or additional specific information, needed as part of the TOs’ project delivery plans?

- A. The consultation document fails to compare the financial benefits associated with bringing the lowest cost forms of generation to market at the earliest opportunity against the risk of stranded assets and other higher risk expenditure.

We also believe there is a danger of focusing exclusively on the minutiae of regime change at the exclusion of vital issues such as community and environmental impacts, social economics and the like. We accept that at present it is very difficult to see beyond inflation and the cost of energy. We also understand the desire to increase the speed of change. Nevertheless, regime changes made now will have long term impacts while bringing no short term relief.

Question 14: Are there any additional timetable issues that need to be considered?

- A. **Ofgem should give serious consideration to engaging with local communities at an early stage of each proposed development and to improving the transparency of its need case process.** Such changes are particularly important where other parts of the planning and consenting are being streamlined or revised. Campaign groups already feel their views have not been taken into account and that legal challenge is the only remaining option. Loss of confidence in the process will result in more widespread legal action.

*John Foster
On behalf
East Anglian Alliance of Amenity Groups*