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By email: FSO@ofgem.gov.uk

Date

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Contact / Extension

Lauren Logan

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Dear David,

Funding the transition to a Future System Operator (FSO)

This letter is from SP Transmission (SPT), which holds the transmission licence for the south and central Scotland. SPT is part of SP Energy Networks (SPEN) and the wider Iberdrola group. We welcome the opportunity to respond to the Funding the transition to a FSO Consultation.

As Transmission Owner (TO) for Central and South Scotland we work closely on a day-to-day basis with the current Electricity System Operator (ESO). This includes coordination on facilitating transmission connections, the Holistic Network Design (HND) and Holistic Network Design Follow up Exercises, which has represented a step-change in network planning and investment, made possible through the collaboration of TOs and the ESO. We're supportive of the FSO building capabilities to strategically coordinate the next stage of the HND, the Central Strategic Network Plan (CSNP). A deliverable CSNP, which aims to eventually cover other energy vectors, is dependent on collaboration with stakeholders utilising the expertise of existing parties including TOs. This approach using the Central Design Group with clear roles and responsibilities and governance resulted in successful publication of the HND.

FSO Policy Development

We've currently observed a relatively piecemeal approach, with limited transparency, to the policy development of the FSO's roles and responsibilities, rather than an overarching consultative policy development process. For instance, Ofgem are considering additional FSO responsibilities¹ (to be set in FSO licence conditions), beyond those included in the Energy Bill and current draft of the Strategic Policy Statement, which would impact and potentially replace existing obligations held by network companies. We have seen no evidence that an impact assessment of network companies' existing roles and responsibilities is planned, including a consumer impact assessment.

¹ This is in reference to the Regional System Planner role and the proposed responsibilities set out in the CSNP consultation

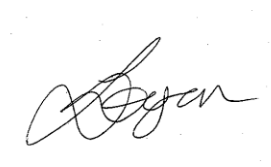
This approach to developing the roles and responsibilities of the FSO alongside the lack of impact assessment for existing parties has made it difficult to respond to this consultation on the cost of transiting the FSO including day one costs, as we're unclear what impact this will have on the industry, including existing parties, and consumers. We would urge the Government and Ofgem to consider existing roles, responsibilities and expertise of network companies when developing the FSO and how best the FSO and network companies can collaborate to deliver the best outcomes for GB consumers, building on the approach used for the HND. A collaborative approach with transparent roles, responsibilities and governance will deliver the best value for consumers and not over-load the FSO whilst its building it's capabilities in this new role.

Approach to cost recovery and programme delivery

The approach to cost recovery for the FSO transition is flexible in terms of both costs and delivery of programme dates. Ofgem have set out a price 'cap' on the high range of cost estimates and have set out that costs and programme dates may change due to changes outside the control National Grid Group. Given this is a new and evolving policy area, which is arguably the first of its kind, we support this flexible and adaptive regulatory approach from Ofgem.

Please do not hesitate to reach out to me should you wish to discuss any of the points raised in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lauren Logan", written over a light grey dotted rectangular area.

Lauren Logan

Head of Transmission Regulation & Policy