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Contact / Extension

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Dear Matthew,

### ESO call for evidence 2021-23: End of scheme review

SP Energy Networks (SPEN) represents the distribution licensees of SP Distribution plc and SP Manweb plc and the transmission licensee SP Transmission plc. We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution) which serves two million customers, and Merseyside and North Wales (SP Manweb) which serves one and a half million customers. We also own and maintain the electricity transmission network in Central and South Scotland (SP Transmission, SPT). As an owner of both transmission and distribution network assets, we are subject to the RIIO price control framework and must ensure that we develop an economic, efficient and coordinated onshore electricity system.

We welcome the opportunity this call for evidence provides to present our views on the ESO's performance during the last two years, which has generally been positive and collaborative. We continue to engage regularly with the ESO across our activities in respect of network operation, customer connections and network investment planning, as well as on strategic policy issues such as Holistic Network Design (HND) delivery and early competition. These engagements are generally positive, demonstrating our shared responsibilities and commitment to deliver for consumers, customers and stakeholders.

We have provided our feedback in relation to the ESO's roles below. Our feedback is focused on those roles of greatest relevance to us as a network operator, and reflective of our interactions with the ESO.

## Role 1 – Control Centre Operations

### Operations and Outage Management

We continue to have good working relationships, both at a working level and a senior level, with the ESO's operational staff. There have been a number of staff changes in the ESO, which can cause difficulties, but we fully recognise that the ESO is staffing up to manage an increasingly complex system, and we support the training of new staff.

The ESO has also sought to improve the transparency of their operational roles, which we welcome. For example, the restructure in the Network Access Policy (NAP) team has offered Transmission Owners greater access to the National Planning and Commercial teams and increased the transparency with which planning decisions are made, which is positive.

### SO:TO Optimisation Incentive

SPT and the ESO have collaborated effectively during the last two years on system optimisation solutions delivered under STCP11-4. Incentivised via the trial SO:TO Optimisation Incentive, these solutions have reduced the constraint costs paid by the ESO and therefore reduce costs to consumers. The quality of engagement from the ESO has been strong and collaborative on this incentive, and we are pleased overall with the way in which it is operating so far.

We welcome Ofgem's minded-to position to extend the trial incentive to the remaining three years of RIIO-T2, and fully appreciate the work done by teams in the ESO to both support the delivery of the solutions and demonstrate the value that the incentive provides for consumers. We look forward to working with the ESO to further develop solutions for delivery for the remainder of RIIO-T2.

## Role 3 – System Insight, Planning and Network Development

### Holistic Network Design

We have welcomed the ESO's work alongside the TOs to develop the Holistic Network Design (HND), and the ongoing work on the HND Follow Up Exercise (HND FUE). By setting out a clear baseline network reinforcement requirement, the HND has enabled the development of the ASTI framework to support the delivery of ambitious 2030 targets for renewable generation.

Publication of the HND in July 2022 was a significant step forward for the industry in presenting a 'baseline' of the network need required to meet 2030 offshore wind ambitions. The accompanying NOA Refresh document provided clear requirements for the onshore network infrastructure needed to support these 2030 ambitions. In the weeks ahead of the HND publication, engagement with the ESO team was positive and constructive, with the ESO team conscious of the importance of the publication and the need to get the signals for onshore transmission requirements right, in order to support accelerated delivery of key strategic infrastructure. The HND and associated NOA Refresh was therefore the catalyst in the development of the ASTI framework, with Ofgem acknowledging the HND and NOA Refresh as the Initial Needs Case for the network infrastructure required, and the TOs developing ASTI Delivery Plans in line with accelerated timelines.

Following publications of the HND, the ESO structure is currently split at the working level across the HND FUE and transitional Centralised Strategic Network Plan (tCSNP2) workstreams. Across both workstreams, all ESO team members are approachable and willing to engage. However, there can be slight misalignment across both the teams. The processes are closely linked methodologically, given

that the HNDFUE final offshore design is a key component of the future transmission network that will be further assessed as part of tCSNP2.

Whilst acknowledging the complex nature of the task at hand for the ESO in considering radial and co-ordinated connections for future offshore wind farms, we were disappointed, but not necessarily surprised by the delays to the HND and HNDFUE. Management of expectations across the industry continues to be a challenge for the ESO, with stakeholders once again concerned about timelines and delays to the publication of the HNDFUE.

### Accelerating Strategic Transmission Investment (ASTI)

The ESO's engagement in the ASTI process has been both positive and critical to the development of the proposals and the quantification of its benefits. We welcome the ESO's support for the ASTI proposals, and their ongoing engagement with both the TOs and Ofgem. A joined-up approach between Ofgem, the TOs and the ESO is important in ensuring that the ASTI framework is designed in the most efficient way for consumers.

We will continue to work with the ESO in relation to both the portfolio of ASTI projects, and projects that are not yet included in the ASTI framework, but which could be in future, following the conclusion of the HNDFUE design.

### Early Competition

The quality of stakeholder engagement from the ESO has been strong in relation to the development of the Early Competition Plan and subsequent workstreams. ESO staff have been helpful and responsive, with complex discussions progressing transparently and in a collaborative way.

Whilst welcoming the ESO's recent consultation on the cost-benefit analysis model for early competition, we noted major issues in relation to the ESO's proposed methodology for the CBA model for early competition. From a methodological standpoint, the CBA proposals have significant and fundamental flaws, and we have stated we are happy to engage with the ESO on the issues we have identified with the consultation proposals.

From a distribution perspective, the assessment period saw the re-establishment of the ENA ED2 Competition sub-group, at the ESO's request, where DNOs and the ESO worked together to consider the challenges of applying the early competition model for transmission to distribution networks. The engagement with the ESO was positive and transparent throughout, with DNOs engaged on the final content of the work shared with Ofgem.

### Connections Reform

We welcome the ESO's commitment to connections reform, and SPT attends both the Steering Group and Working Group meetings to feed into this work. The ESO's 5-Point Plan for short-term improvements to connections issues is a good initial step, and the discussions regarding enduring connections reform are progressing well.

At a working level, these meetings have been well facilitated by both ESO staff and third-party support and have enabled effective discussion and insight. At Steering Group level, whilst in many ways it is beneficial to include a wide range of voices, the size of the group may limit its decision-making capacity, however this is yet to be seen.

We believe the proposals being discussed as part of the connections reform project have the potential to deliver tangible benefits to GB consumers, connecting customers, and wider industry, and we are fully committed to continued engagement in this process, including through the upcoming consultation on options for connections reform.

### Connections Process

The number of applications to connect to the transmission system are unprecedented, and as a result teams across the industry, including in the ESO, are under considerable pressure to provide a consistent level of service despite rapidly increasing workloads. Whilst we highlight issues we have experienced as part of the connections process, we fully recognise the wider challenges that the ESO and the industry as a whole are facing due to high connection volumes and a period of significant changes to the industry.

The volume of connection applications underlines the importance of a robust Queue Management process. We welcome the commitment that the ESO has made to Queue Management and recognise that this is under development as part of the connections reform project, as well as through CMP376: Inclusion of Queue Management process within the CUSC. We will continue to engage with the ESO and industry on the implementation and monitoring of Queue Management, which we agree is the right thing to do for the industry and the end consumer.

Whilst progress has been made and dialogue between SPT and the ESO remains open and collaborative, we have faced difficulties during this evaluation period regarding the ESO's role in the connections process. This has included non-attendance by ESO staff at Pre-Application calls; late notification or failure to notify clock starts; and incorrect application of the Licenced timelines. This has a significant impact on our ability to deliver connection offers within the Licence timescales and knock-on impacts on the experience of our connecting customers.

Accurate and timely data sharing between the ESO and the TO and vice versa is critical to ensuring our transmission connections process delivers the most appropriate solution. SPT is committed to facilitating data sharing for ESO initiatives requiring TO data, and we hope to engage with the ESO on how to improve sharing of critical information regarding the connections process in a timely and consistent way as part of ongoing reforms to the connections process. The ongoing bi-weekly call between SPT's Commercial Team and the BAU Team in the ESO has been a positive forum in which to raise issues with processes or specific projects for both parties, and we appreciate the time and focus that the ESO dedicates to those meetings.

As connections volumes increase, interactivity between schemes has become an increasingly complex issue, with potentially many projects in interactivity queues, and multiple interactivity queues with the same projects. We fully recognise the challenge of managing the increasingly complex set of connection applications, however we have experienced issues with the ESO's management of this process that have subsequently resulted in low scores through SPT's Quality of Connections Survey, therefore causing direct financial impacts. This includes the ESO assuming that interactivity does not apply to a project, despite the contract stating otherwise, and resulting in multiple offers being sent for the same capacity, requiring immediate recall of incorrectly issued offers. We do note, however, that the ESO is making efforts to improve this process and has led a training session, attended by SPT's System Design and Commercial Teams, focussed on the processes surrounding interactivity in connection applications.

The ESO has recently implemented its new Connections Portal, the development of which we fully support. The portal has had teething issues, including further incidences of failure to notify clock starts, however overall, we believe it is a positive change and, once initial issues are resolved, will support the

connections process well. We have also been provided good opportunities to relay any concerns with the portal, which the ESO has taken on board.

Should you have any questions in relation to the issues raised in this response, please do not hesitate to contact me.

Yours sincerely,



Stephanie Anderson

Head of Network Regulation and Policy