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By email: Eliska.Antosova@ofgem.gov.uk

Date

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Contact / Extension

Lauren Logan

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Dear Eliska,

SHET's 2023 MSIP initial needs case submission consultation

This consultation response 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 SHET's 2023 MSIP initial needs case submission consultation.

In paragraph 1.12 Ofgem states: "It should be noted that although we accepted and assessed some initial needs case submissions during the 2022 and 2023 MSIP submission windows, we expect that future MSIP submissions will include all the information necessary for us to assess both the need for a project and the efficient costs together." We propose Ofgem retain the option to have a staged MSIP application approach (Stage 1 –Needs Case and Optioneering, Stage 2 – Full application). As Ofgem have acknowledged, the staged approach provides consumer benefit and facilitates delivery of TOs' works required to meet binding Net Zero Targets including early engagement with Ofgem which the staged approach enables. Therefore, removing the staged option could have a detrimental effect on consumers and progress towards those targets. The following provides additional detail:

- (i) More **certainty is required to ensure that challenging 2030 Net Zero targets are met.**
- (ii) **Ofgem's agreement to the needs case and optioneering is essential to support consenting activities**, which enable timely project delivery.
- (iii) As per provisional decision on the first stage assessment of SPT's MSIP re-opener applications¹: "*The MSIP framework allows ETOs to seek an Agreement in Principle of investment need and preferred design solution from us once there is more certainty about the drivers for the work, the optioneering of the chosen design and the proposed timing of delivery for qualifying projects. The arrangements enable us to apply proportionate scrutiny, on a case by-case basis, to our assessment of works proposed by the ETOs. This helps to*

¹ *Provisional decision on the first stage assessment of SPT's MSIP re-opener applications (ofgem.gov.uk), pages 6-7, paragraph 1.10, issued on 27th April 2022*

manage uncertainty and helps ensure the timely and efficient progress of preparatory works. We consider it is in the interests of existing and future consumers to ensure that the scope of MSIP projects, reflecting the specific circumstances of each case, are justified and can be progressed at the most appropriate time."

- (iv) As per the provisional decision on the first stage assessment of SPT's MSIP re-opener applications², Ofgem stated: *"Transmission projects can contain works that are dependent on factors outside the direct control of the ETOs, including the impact on customer-driven requirements, or involve issues where project timescales do not necessarily align with the rigid regulatory structure (e.g., the fixed submission window of the MSIP submission framework). These factors create a potential problem where a lack of firm information can have a disproportionate impact on the development of activity and adversely impact work deemed necessary to deliver a connection in a timely manner. Delays to the works to progress connection of low carbon generation, which would contribute towards meeting the Net Zero target, may lead to additional costs for GB consumers."*
- (v) When costs are submitted for Ofgem's assessment, the majority of the contracts are already awarded. If the staged approach is removed, there are significant risks associated with the project, as the needs case and/or optioneering could be rejected by Ofgem at such a late stage. This risk could impact investor confidence and financeability.
- (vi) For Accelerated Strategic Transmission Investment (ASTI) framework, Ofgem is proposing to have an early engineering engagement prior to the Project Assessment (PA) submission, to ensure that the review of the PA can be completed in the timely manner. The proposal to remove staged approach from MSIP applications, seems inconsistent with the overarching policy, both MSIP and ASTI projects made up the Holistic Network Design; therefore a level of consistency to ensure project certainty should be applied.

To ensure the timely MSIP delivery and enable the contribution to achieve the 2030 Net Zero target, we **strongly recommend retaining Stage 1 and Stage 2 MSIP application approach**, whilst maintaining high quality submissions to ensure an efficient assessment from Ofgem.

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

Yours sincerely,



Lauren Logan

Head of Transmission Regulation & Policy

² Provisional decision on the first stage assessment of SPT's MSIP re-opener applications (ofgem.gov.uk), pages 7, paragraph 1.9, 27th April 2022